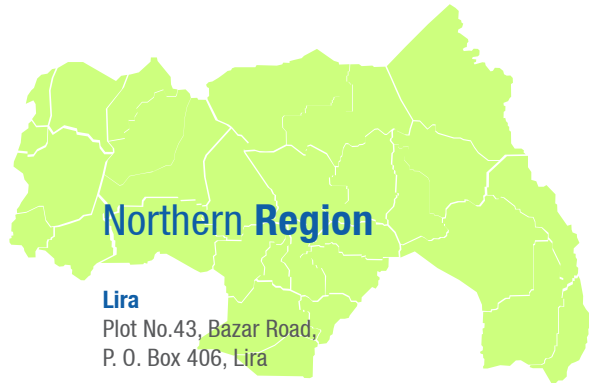


**Evolving
With You**





Northern Region

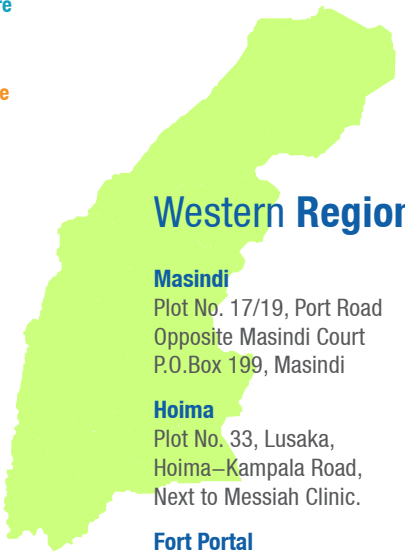
Lira
Plot No.43, Bazar Road,
P. O. Box 406, Lira

Gulu
Plot No. 23, Andrea Olal Road
Opposite Total
P.O.Box 730, Gulu

Arua
Plot No. 59, Weatherhead
Parklane
P.O.Box 418, Arua

Our Locations

-  Branch
-  Outreach Centre
-  Regional Centre

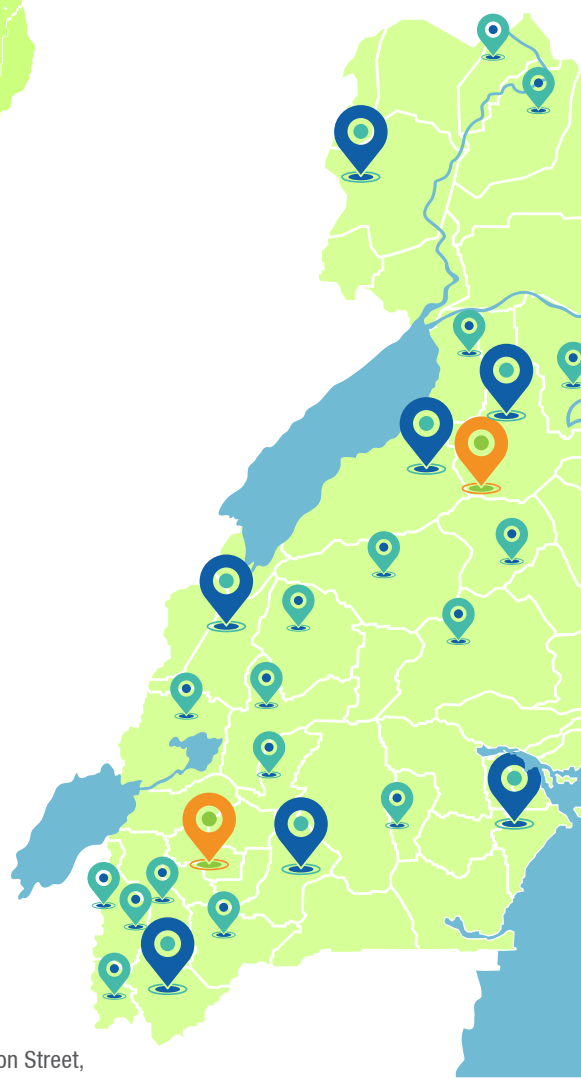


Western Region

Masindi
Plot No. 17/19, Port Road
Opposite Masindi Court
P.O.Box 199, Masindi

Hoima
Plot No. 33, Lusaka,
Hoima–Kampala Road,
Next to Messiah Clinic.

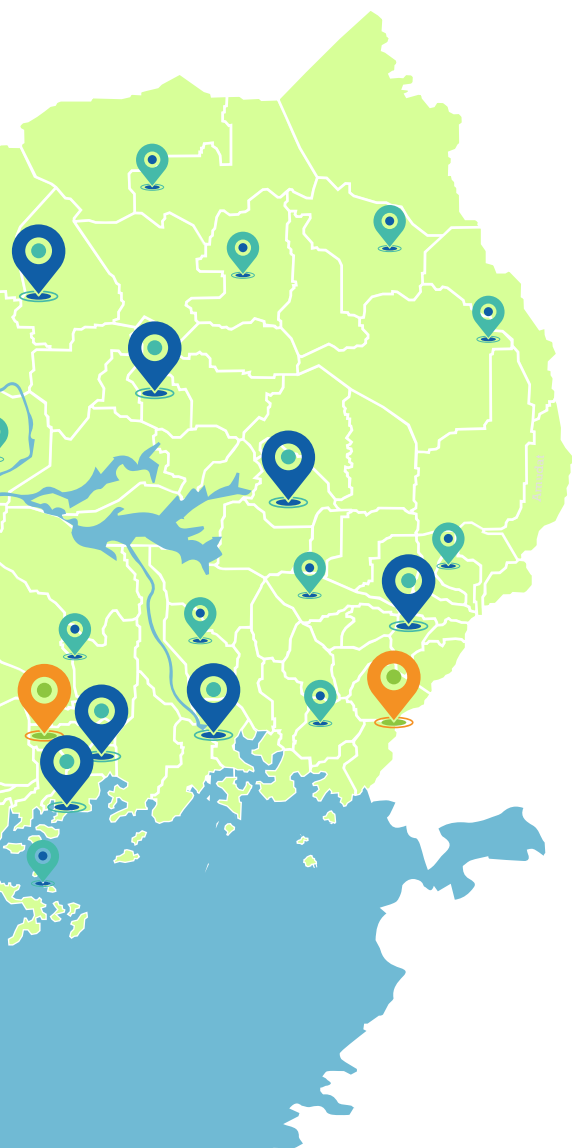
Fort Portal
Plot No. 1, Malibo Road.



Mbarara
Plot No. 2/4, Johnson Street,
Adit Mall, Opposite Bank of
Uganda

Ishaka
Plot No. 112, Block 14,
Bushenyi–Ishaka Municipality

Kabale
Plot No.91–95, Mbarara Road,
P. O. Box 203, Kabale



Eastern Region

Mbale

Plot No.1, Oval Plaza,
Court Road, near Housing
Finance Bank
P. O. Box 1574, Mbale

Tororo

Plot No.8A, Uhuru Drive,
P. O. Box 1574, Mbale.

Lugazi

Plot No. 102B, Jinja–Kampala Road
P.O.Box 877, Jinja

Soroti

Plot No.58A, Main
Street,Gweri Road,
P. O. Box 878, Soroti

Jinja

Plot No. 2, Main Street
Post Office Building
P.O.Box 877, Jinja

Central Region

Kampala

Corporate Branch
14th Floor, Workers House
Plot No.1 Pilkington Road
P.O.Box 7140, Kampala

City Branch

Workers' House

Bugolobi Branch

Plot 20–24, Spring Road,
Bugolobi, next to Roma Furnishings.

Kawempe Branch

Plot No.157,Bombo Road
After Kawempe Police Station

Bakuli Branch

Plot No.719, Sir Apollo Kagwa Road,
K Hotel Building

Entebbe

Imperial Mall,
Plot M79, Lugard Avenue,
Kampala–Entebbe Road.

Mukono

Plot 3A, Bishop Tucker Road,
Central Business Area,
Mukono.

Masaka

Plot No.21, Edward Avenue,
P. O. Box 1290, Masaka.



Table Of Contents

- iv** Our Locations
- viii** Company Information
- ix** Financial Definitions
- x** List Of Acronyms

Our Business

- 03** About The Fund
- 04** NSSF At A Glance
- 05** How We Create Value
- 09** Financial and Operational Highlights
- 13** Chairman's Statement
- 15** Board Of Directors
- 19** Managing Director's Statement
- 23** Executive Committee
- 27** *Evolving with You in Strategy*
- 29** Our Strategy

Financial & Business Review

- 37** *Evolving with You in Business*
- 41** CFO's Financial Review
- 45** CFO's Business Review

Corporate Governance & Risk Management

- 71** *Evolving with You in Legal Affairs*
- 75** Risk Management Report
- 85** Governance Review
- 87** Our Leadership
- 93** How The Board Operates
- 105** Remuneration Report
- 109** Accountability and Audit





Sustainability Report

- 113** Our Approach to Sustainability
- 117** *Evolving with You in Operations*
- 119** Our Achievements
- 121** Delivering Stakeholder Value
- 127** *Evolving with You in Human Resources and Administration*
- 139** *Evolving with You in Marketing and Communications*
- 141** Corporate Social Responsibility
- 155** Protecting The Environment
- 161** Global Reporting Initiative

Audited Financial Statements

- 167** Report Of The Directors For The Year Ended 30th June 2017
- 169** Statement Of Directors' Responsibility For The Year Ended 30th June 2017
- 171** Report of The Auditor General On The Financial Statements of The National Social Security Fund for the Year Ended 30th June 2017
- 173** Statement of Changes in Net Assets Available for Benefits as at 30th June 2017
- 174** Statement of Net Assets Available for Benefits as at 30th June 2017
- 175** Statement of Changes in Members' Funds and Reserves as at 30th June 2017
- 176** Statement of Cash Flows For the Year Ended 30th June 2017
- 177** Notes to the Financial Statements For The Year Ended 30th June 2017



Company Information

NSSF Contact Information

Head Office

14th Floor, Workers House
Plot No.1 Pilkington Road
P.O.Box 7140, Kampala
Tel: +256 313 331755/
+256 417 331755

Email: customerservice@nssfug.org

Auditor

The Auditor General

Office of the Auditor General
Finance Building, Apollo Kaggwa Road
P.O.Box 7083, Kampala

Delegated Auditor

KPMG

Certified Public Accountants
3rd Floor, Rwenzori Courts
Plot 2 & 4a, Nakasero Road
P.O.Box 3509, Kampala

Main Bankers

Stanbic Bank Uganda Limited

Plot 17 Hannington Road,
P.O.Box 7131, Kampala

Standard Chartered Bank Uganda Limited

Speke Road,
P.O.Box 7111, Kampala

Housing Finance Bank Limited

Plot 25 Kampala Road,
P.O.Box 1539, Kampala

Tropical Bank Limited

Plot 27, Kampala Road
P.O.Box 9485, Kampala

CitiBank Uganda Limited

Centre Court, Plot 4 Ternan Avenue, Nakasero
P.O.Box 7505, Kampala

Bank of Baroda Uganda Limited

Plot 18 Kampala Road,
P.O.Box 7197, Kampala

Barclays Bank of Uganda Limited

Plot 2A & 4A Nakasero Road,
P.O.Box 7101, Kampala

DFCU Bank Limited

Impala House,
Plot 13 Kimathi Avenue,
P.O.Box 70, Kampala

Advocates

Sebalu & Lule Advocates

S&L Chambers
Plot 14, Mackinon Road
P.O.Box 2255, Kampala

Kiwanuka & Karugire Advocates

Plot 5A2 Acacia Avenue,
P.O.Box 6061, Kampala

Kampala Associated Advocates

Plot 14, Nakasero Road,
P.O.Box 9566, Kampala

Kasirye, Byaruhanga & Company Advocates

Plot 33, Clement Avenue,
P.O.Box 10946, Kampala

GP Advocates

(Formerly Omunyokol & Company Advocates)
Colline House, 3rd Floor
Plot 4, Pilkington Road,
P.O.Box 6737, Kampala

Ligormac Advocates

5th Floor Western Wing,
Social Security House,
P.O.Box 10946, Kampala

Nangalwa, Rezida & Company Advocates

Plot 9, Yusuf Lule Road,
P.O.Box 10304, Kampala

Financial Definitions

Total Revenue (Ushs)

Income generated from various investment activities associated with the main operations of the Fund and shown before any costs or expenses are deducted.

Realized Revenue (Ushs)

Profits or Income from completed transactions.

Unrealized Revenue (Ushs)

Profits or Income occurring on paper, but the relevant transactions not yet completed. Also called paper profit or paper Income, because it is recorded on paper but has not actually been realized. It includes gains on; Revaluation, Equity Investments and Foreign Exchange.

Cost of Administration

Total Operating costs / expenses, associated with company management, direction, policy or business activities / Operations.

Accumulated Members' Funds

Total Amount of money collected over a period of time from employees and other contributors in the private sector plus interest credited to members over time.

Interest to Members

Amount credited to members accounts based on the income earned from various investments.

Asset Growth

Movement in Total Assets.

Return on Average Investment (%)

Gain generated on an investment relative to the amount of money invested.

Cost Income Ratio (%)

Total Operating Costs expressed as a percentage of Total Income.

Return on Member's Fund (%)

Gain generated in the period expressed as a percentage of Member Fund balance.

Compliance Level (%)

Active members contributing consistently as a percentage of total active members.

Strategic Assets Allocation

A portfolio strategy that involves setting target allocations for various asset classes and rebalancing periodically.

Dividend Income

A distribution of a portion of a company's earnings, decided by the board of directors, paid to a class of its shareholders.

Share of Results/ Profits from Associate

A portion, allocation or share of Investee company profits in which the Fund owns a significant portion of voting shares (20 – 50%).

Fair Value

The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Investment Portfolio

A compilation of Investment assets designed to achieve a specific investment objective based on parameters such as risk tolerance, time horizon, asset preference, and liquidity needs with a potential to achieve the desired returns, while minimizing risk and volatility through proper diversification and balance.

Fixed Income Portfolio

Assets or securities in an Investment portfolio paying regular income in the form of coupon, interest and principal at maturity.

Equity Portfolio

Stock or any other security in an investment portfolio representing an ownership interest in Investee companies.

Real Estate Portfolio

Physical Securities and Assets in Investment portfolio purchased, owned, sold, managed for rental income for a profit.



List Of Acronyms

ACCA	Association of Chartered Certified Accountants	ECASSA	East & Central African Social Security Association
AMM	Annual Members' Meeting	EIA	Environmental Impact Assessment
BA.	Bachelor of Arts	ERM	Enterprise Risk Management
BAT	British American Tobacco	ExCo	Executive Committee
Bn.	Billion	FCCA	Fellow of the Chartered Certified Accountants
BRITAM	British–American Investments Company	Fig.	Figure
BSc.	Bachelor of Sciences	FiRe	Financial Reporting
CBD	Central Business District	Fx	Foreign Exchange
CBK	Central Bank of Kenya	FUE	Federation of Ugandan Employers
CBR	Central Bank of Rwanda	IAS	International Accounting Standards
CCW	Customer Connect Week	IASB	International Accounting Standards Board
CFA	Chartered Financial Analyst	ICPAU	Institute of Certified Public Accountants of Uganda
CFO	Chief Financial Officer	ISSA	International Social Security Association
COFTU	Central Organisation Of Free Trade Unions	IFRS	International Financial Reporting Standards
CMP	Crisis Management Plan	IMF	International Monetary Fund
CSR	Corporate Social Responsibility	IT	Information Technology
DRP	Disaster Recovery Plan	K	Thousand
DSE	Dar es Salam Stock Exchange	KCCA	Kampala City Council Authority
DFCU	Development Finance Company of Uganda Bank Ltd		
EABL	East African Breweries Limited		

KPI	Key Performance Indicator	SBU	Stanbic Bank Uganda
Kshs	Kenyan Shilling	STP	Straight through process
M	Million	TBL	Tanzania Breweries Limited
MBA	Masters Degree in Business Administration	TWIGA	Tanzania Portland Cement Company Limited
MD	Managing Director	Tshs	Tanzanian Shilling
MoFPED	Ministry of Finance, Planning and Economic Development	UCL	Uganda Clays Limited
MSc.	Masters Degree in Science	UK	United Kingdom
MSCI	Morgan Stanley Capital International	URBRA	Uganda Retirement Benefits Regulatory Authority
NEMA	National Environmental Management Authority	URSB	Uganda Registration Services Bureau
NASI	Nairobi All Share Index	USE	Uganda Securities Exchange
NIC	National Insurance Corporation	Ushs	Uganda Shilling
NIRA	National Identification and Registration Authority	VPDL	Victoria Properties Development Limited
NITA-U	National Information Technology Authority of Uganda	WHT	Withholding Tax
NOTU	National Organization of Trade Unions	Y/Y.	Year on Year
NSE	Nairobi Stock Exchange		
NSSF	National Social Security Fund		
PPDA	Public Procurement and Disposal of Public Assets Authority		
PDL	Premier Developments Limited		
PRAU	Public Relations Association of Uganda		
RAF	Risk Appetite Framework		
Rwf.	Rwandese Franc		
Rd.	Road		
RMPP	Risk Management Policy and Procedures		
RSE	Rwanda Stock Exchange		
SAA	Strategic Asset Allocation		

Please note, the terms **Board of Directors and **Board of Trustees** is used interchangeably throughout the book*



Our Business



NSSF Customer Service team is committed to constantly offer world class support services to our members



NSSF newly refurbished Customer Service Centre designed to enhance members' experience

About The Fund



INNOVATION

We are a robust organization that is always looking for new ways of delivering value to our members.

National Social Security Fund was established by the 1985 Act of Parliament to provide for its membership, the payment of contributions to, and the payment of benefits out of the fund and for other purposes connected therewith. The Act made the fund a statutory body.

The National Social Security Fund (NSSF) is a national saving scheme mandated by Government through the National Social Security Fund Act, Cap 222 (Laws of Uganda) to provide social security services to employees in Uganda. It covers all employees in the private sector including Non-Government Organizations' that are not covered by the government's pension scheme. It is a scheme instituted for the protection of employees against the uncertainties of social and economic life.



CUSTOMER CENTRIC

We are committed to achieving higher levels of customer satisfaction through continuous improvement in our services.



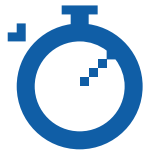
Our Vision

To be the Social Security Provider of Choice



Our Mission

To be a relevant partner to our members through continuous innovation in provision of Social Security.



EFFICIENCY

We promise to continuously collaborate with stakeholders to discover and apply safer, better, faster and more cost-efficient ways to provide services that our customers value.



INTERGRITY

We commit to be ethical and honest to inspire trust by matching our words to our actions.



TEAMWORK

We are committed to developing and maintaining healthy internal relations that harnesses respect, positive attitude and open mindedness in order to meet the demands of our customers.



We are customer centric and always committed to serving our members

NSSF At A Glance

Branches

18

Sub – Branches

4

Outreach Centers

23

Dedicated Staff

416

Registered Employers

45.6k

Registered Members

1.8M

Total Contributions

Ushs 916.9 Bn

Total Revenue

Ushs 912 Bn

Cost of Administration

1.3%

Total Asset Value

Ushs 7.92 Tn

Benefits Paid Out

Ushs 278.3 Bn

Benefits Turn Around Time

11 Days

Ms. Enid Sylvia Ntegeka, NSSF beneficiary and former "Friends With Benefits" Winner





At NSSF, we invest a lot of time in engaging with our customers

How We Create Value

Why Save With NSSF?

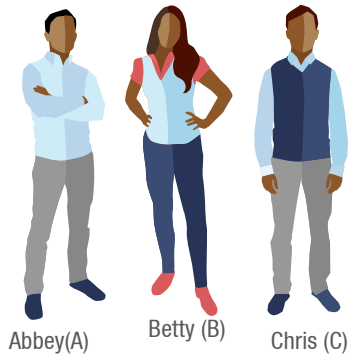
We are the biggest financial institution in the East African region with centers around Uganda manned by competent and energetic teams, availing our members with the very best in social security. We continue to be innovative in our products and services collecting member contributions, investing prudently and paying it out at the right time to qualifying beneficiaries in the shortest time possible.

How NSSF Adds Value?

Assuming three employees, Abbey(A), Betty (B) and Chris (C) **all earn a monthly income of Ushs 2,000,000** through out their careers.

According to the NSSF Act, **each is supposed to contribute 5% of their monthly income(Ushs 100,000)** to NSSF while their **employers are supposed to contribute 10% of their monthly income (Ushs 200,000)** to NSSF.

If we assume that the **average interest paid out over the years is 10%** then in a scenario where Abbey saves for 10 years, Betty saves for 20 years and Chris saves for 25 years. The value addition to each of them is provided as follows;



Term of Employment
10 Years

If Abbey chose to leave the company after 10 years, this would be his standing



Ushs 12M

Employees' Total Contribution over this term of employment



Ushs 24M

Employer's Total Contribution over this term of employment

Ushs 13.1M

NSSF's Total Contribution over this term of employment



Ushs 49.1M

is Abbey's accumulated NSSF savings over his term of employment

Term of Employment
20 Years

If Betty chose to leave the company to start a business after 20 years, this would be her standing



Ushs 24M

Employees' Total Contribution over this term of employment



Ushs 48M

Employer's Total Contribution over this term of employment

Ushs 136.4M

NSSF's Total Contribution over this term of employment



Ushs 208.4M

is Betty's accumulated NSSF savings over her term of employment

Term of Employment
25 Years

If Chris chose to retire after 25 years, this would be his standing



Ushs 30M

Employees' Total Contribution over this term of employment



Ushs 60M

Employer's Total Contribution over this term of employment

Ushs 206.5M

NSSF's Total Contribution over this term of employment



Ushs 296.5M

is Chris's accumulated NSSF savings over his term of employment

* The above illustration demonstrates that over time, NSSF's portion of the total benefits to the member exceeds either the employer or employee's contributions.

Payment of Benefits

NSSF administers and pays 6 types of benefits to contributing members in accordance with the provision of the NSSF Act as follows;

Age Benefit

Payable to a member who has reached the retirement age of 55 years.

Withdrawal Benefit

Payable to a member who has attained the age of 50 years, and is out of regular employment for one year.

Invalidity Benefit

Payable to a member who, because of illness or any occurrence, develops incapacity to engage in gainful employment. In this case, a medical practitioner's report is required to ascertain the condition.

Survivors Benefit

Payable to the dependant(s) or Next of kin of a deceased member.

Exempted Employment Benefit


Payable to members who join employment that provides an alternative social security scheme recognized under existing law and exempted from contributing to NSSF. These include the Army, Police and Prisons, Civil Service and members of any scheme that the Minister responsible for social security has formally exempted.

Emigration Grant

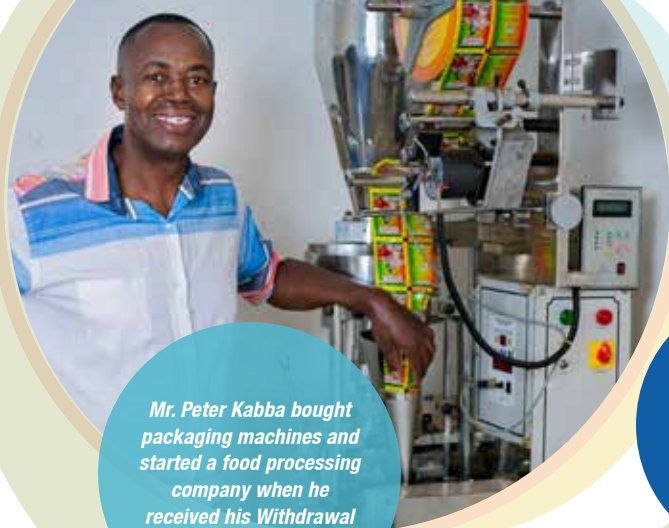
Payable to a member (Ugandan or Expatriate) who is leaving the country permanently.

Mode of Payment

The benefits are payable in lump sum, that is the member's cumulative contributions and interest earned throughout the contributing period.



Mr. Ajal James received his Age Benefit three years ago and today owns an Orange Farm and a herd of 100 cattle



Mr. Peter Kabba bought packaging machines and started a food processing company when he received his Withdrawal Benefit

Benefits Claim Process



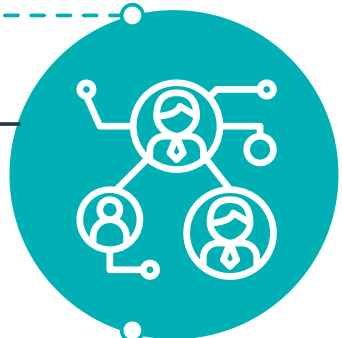
Day 1

A member submits his/her claim by filling a claim form and submitting it with supporting documents.

For details on the required documents, visit www.nssfug.org

Day 2-3

Our team identifies the member, by double checking their details on our system. They then initiate the claim on the system



Day 4-6

Once a claim is initiated on the system, our team begins a detailed verification of the submitted documents.

Delays only occur where third party verification is necessary or when inadequate documents are submitted

Day 7

Once documents have been verified and proven to be legitimate, the payment process is initiated



Day 8-11

Payment is made on the members account.

Currently, if all submitted documents are legitimate, the payment is made within 11 days of initial submission.

Our long-term target is to reduce this process to one day.



Our Finance team is committed to tracking the Funds' financial performance

Financial & Operational Review

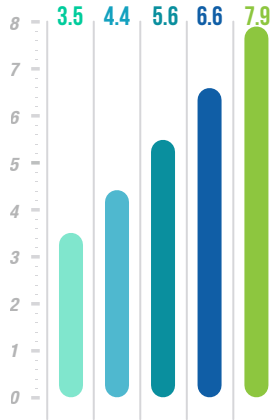
Five year performance Review	Actual	Actual	Actual	Actual	Actual	Budget	Actual	Actual
	2013	2014	2015	2016	2017	2017	2016	2017
	Ushs Bn	Ushs Bn	Ushs Bn	Ushs Bn	Ushs Bn	Ushs Bn	Var %	Budget
								Budget
								2017
								Vs
								2017
								Var %
Income Statement								
Total Revenue	484	597	807	674	912	876	35%	4%
Realized Revenue	393	573	583	708	845	806	19%	5%
Profit before Tax	414	531	738	594	816	710	37%	15%
Profit After Tax	343	452	648	491	686	616	39%	11%
Operating cost	78	67	69	80	96	96	20%	0%
Financial Position (Ushs' Bn)								
Total Assets	3,480	4,403	5,550	6,586	7,924	7,857	20%	1%
Fixed Income Investments	2,767	3,514	4,125	4,940	5,999	5,786	21%	4%
Equity Investments	189	396	899	1,067	1,255	1,417	18%	-11%
Investment properties	406	444	445	454	512	552	13%	-7%
Total Investment Portfolio	3,362	4,354	5,470	6,461	7,766	7,755	20%	0%
Accumulated Members' Funds	3,333	4,147	5,167	6,304	7,623	7,480	21%	2%
Financial Performance (%)								
Return on average Investment (%)	12.4%	12.9%	16.4%	11.3%	12.8%	12.4%	14%	3%
Cost Income Ratio (%)	15.4%	15.2%	14.0%	13.2%	13.4%	15.6%	2%	-14%
Cost of Administration (%)	2.2%	1.6%	1.4%	1.3%	1.3%	1.4%	1%	-1%
Member's Fund Statistics (Ushs M)								
Contributions Collected	553	622	688	785	917	924	17%	-1%
Benefits Paid	140	166	187	239	278	300	17%	-7%
Interest Credited to members	281	366	522	597	681	657	14%	4%
Return on member's Fund (%)	11.23%	11.5%	13.0%	12.3%	11.2%	11.0%	-9%	2%
Compliance level (%)	72%	77%	76%	78%	80%	77%	3%	4%
Benefits Processing time (Days)	10	10	8	9	11	7	22%	57%
Customer Satisfaction Rate (%)								
Internal Customers (Staff)	65%	77%	84%	86%	84%	90%	-3%	-7%
External Customers (Members)	72%	84%	88%	86%	92%	90%	10%	6%

Financial Highlights

Key

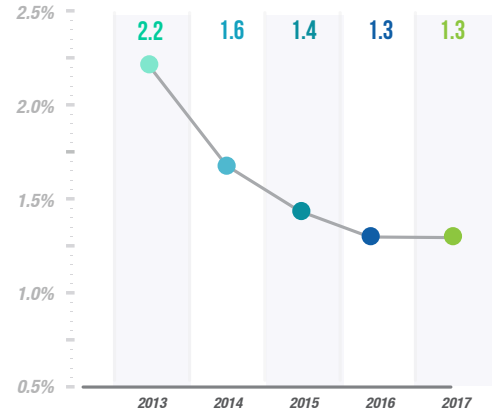
- 2017
- 2016
- 2015
- 2014
- 2013

Asset Growth (Ushs Tn)



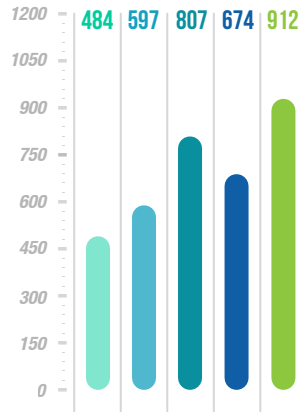
Fund Size grew by 20% from Ushs 6.6 Trillion in 2016 to Ushs 7.9 Trillion in 2017 and 1% above budget of 7.86 Trillion.

Cost of Administration (%)



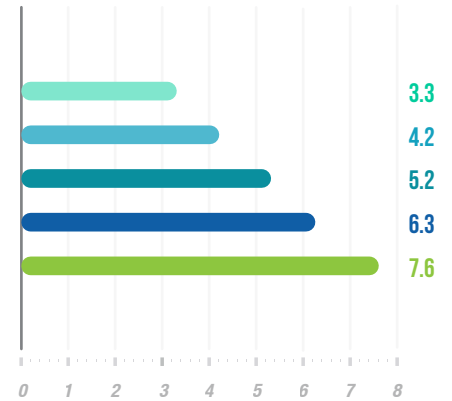
The Fund's Cost of Administration remained constant at 1.3% in 2017 better than the budget of 1.4%.

Total Revenue (Ushs Bn)



Total revenue grew by 35% to Ushs 912 Billion in 2017 from Ushs 674 Billion in 2016. It was 4% above budget of Ushs 876 Billion.

Accumulated Members' Funds (Ushs Tn)



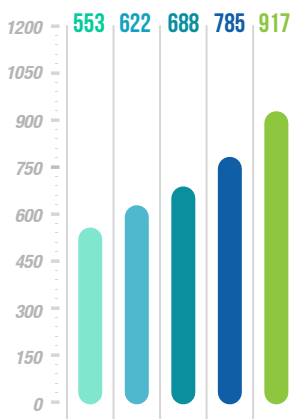
Accumulated Members' Fund grew by 21% from Ushs 6.3 Trillion to Ushs 7.6 Trillion in 2017. It was also 2% above budget of 7.5 Trillion.

Operational Highlights

Key

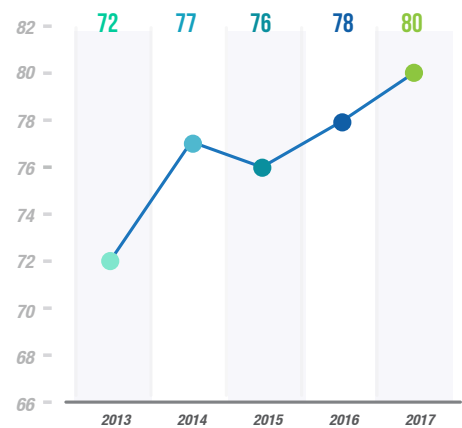
- 2017
- 2016
- 2015
- 2014
- 2013

Growth in Contributions Collected (Ushs Bn)



Contributions grew by 17% to Ushs 917 Billion in 2017 from Ushs 785 Billion in 2016, 1% below budget of Ushs 924 Billion.

Compliance Level (%)

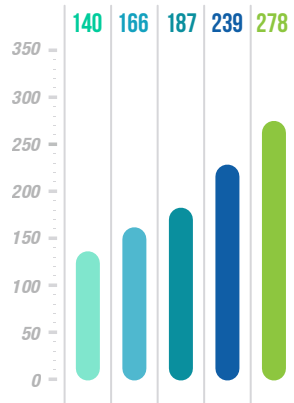


Compliance rose by 200 basis points from 78% in 2016 to 80% in 2017 leading to improved contribution levels. The target for the year was 77%.

Operational Highlights (Continued)

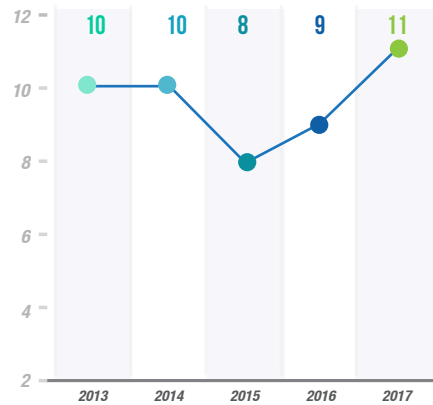
- Key**
- 2017
 - 2016
 - 2015
 - 2014
 - 2013

Benefits Paid (Ushs Bn)



Benefits paid grew by 17% from Ushs 239 Billion in 2016 to Ushs 278 Billion in 2017. This was 7% below our target of 300 Billion

Benefits Turn Around Time (Days)



Benefit turn around time was 11 days in 2017. 2 days more than the 9 days of the prior year and 4 days more than our target of 7 days.

Categorization of Member Listing Benefits Paid

Age group	Number of Members	Amount in savings (Ushs)	Number of people paid in 2016/17	Amount Paid Out (Ushs)
18–29	310,395	434,787,175,627	1,118	3,084,936,441
30–39	435,728	2,858,544,304,723	3,942	36,238,044,336
40–49	262,695	3,104,777,881,145	2,620	60,920,433,331
50–54	75,492	806,850,228,324	4,674	85,467,153,067
>54	659,106	418,101,710,181	7,736	92,544,150,825



Track your savings instantly
So easy, you'll always want to know



Go Mobile App
Download the NSSF Go App



Go e-Statement
www.nssfug.org



Go *254#
Dial *254#

*To get started, request for a PIN or password by sending an sms to 6773 or email to customerservice@nssfug.org

 www.nssfug.org  /nssfug  nssfug  0800296773 TOLL - FREE





*NSSF Board Chairman,
Mr. Patrick Byabakama
Kaberenge*

Chairman's Statement

Dear Stakeholders

The Financial Year 2016/2017 was challenging to the Fund. We continued to perform well and in line with the corporate objectives despite the challenging business environment.

The business environment had fluctuating foreign exchange rates, slow economic growth and poor performance of the stock markets among other factors. We however managed to post improved results compared to last year and budget which is a clear testament to the resilience of the Fund.

The Board continued to steer the embodiment of good corporate governance principles through the entrenchment of value driven corporate governance culture throughout the organization.

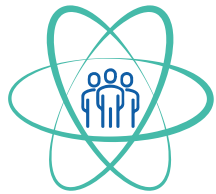
Our Board effectiveness and efficiency is a product of the different sub committees that include; Audit and Risk Assurance, Finance, Investments and Project Monitoring, Staff, Administration and Corporate Affairs committees. These committees meet regularly to ensure that the Fund achieves its set strategic objectives.

We work closely with our regulators Uganda Retirement Benefits Regulatory Authority (URBRA) and report on a quarterly basis to ensure that our internal governance and investment procedures meet the required standards. Under the Regulatory framework, the URBRA Act was enacted by the Parliament of Uganda and took effect on the 26th September 2011. The objectives of the Act are to regulate the establishment, management and operation of the retirement benefit schemes in Uganda in both the private and public sectors. And in addition, the Retirement Benefits Sector Liberalization bill is being debated in parliament. The outcome of this process will have both administrative and operational impact on business and compliance with the new regulatory framework of the Fund.

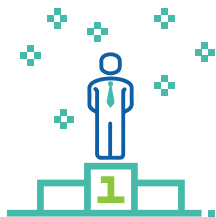
NSSF Vision 2025



To attain an asset base of Ushs 20 Trillion and drive economic growth in East Africa



To usher in an era where members' benefits are initiated for short-term products like health, education and insurance.



To become employer of choice in Uganda, attracting highly talented individuals

On 16th April 2015, the Fund Board approved a 10 year Strategic Business Plan 2015–2025 dubbed Vision 2025 running from 2015/16 through 2024/25. We clearly defined our future and believe that a perfect execution of this plan by 2025 should deliver a fund that;

- i. Has an asset base of Ushs 20 Trillion and considered a pioneer in the financial services industry, a market-maker and the biggest driver of economic growth in East Africa.
- ii. Is perceived as an innovator, ushering in an era where members' benefits are initiated and processed through smart cards or online in just 24 hours for various claims ranging from short-term products like health and education, insurance, medium term solutions such as Mortgages and, of course, retirement benefits.
- iii. Is the employer of choice in Uganda, attracting highly talented and motivated individuals who have established a new benchmark for organizational and cultural excellence.
- iv. Is felt, seen and perceived positively by Ugandans and is anchored by "Pension Towers" as Kampala's most iconic structure.

The core to our strategy is "Delivering Social Security benefits that are relevant throughout the life cycle of the members" through to a transformation of becoming more customer driven, process efficient and commercially focused.

The Board continues to use the Balanced Score Card as a prolific tool to establish and monitor the performance of the Fund and of each individual employee effort towards meeting the strategic objectives. The strategy is reviewed annually and this is the second year of its implementation. The 10th Board of Trustees was appointed to office on 1st September 2015 for a three-year term. The Board has remained committed to executing the strategic plan in place for the Fund.

Our members expect a reasonable return on their savings, therefore in 2017, the Fund paid 11.23% which was above the ten year average inflation of 7.7%. We continued to consolidate our financial position with the asset base of Ushs 7.92 Trillion.

In 2017, we achieved our main goals and strategic objectives for the Fund. The outlook for 2018 points to a modest upturn in global growth, which could be close to 5%. This will be supported by internal and external factors. Our main focus is to continue developing a Fund with business capabilities to meet the business challenges of tomorrow. We will continue to make progress in 2018 toward achieving the goals and objectives set out in our 10-year Business Strategic Plan.

The outlook also shows financial markets becoming increasingly resilient, quickly recovering from bouts of volatility. Without a doubt, we are established market leaders in Uganda and the region at large when it comes to social security. We are still the fastest growing fund and in a strong position to leverage on our capabilities to meet the ever divergent and evolving needs of our clients who expect us to deliver on our promise in terms of new products and services. With our business strategy in place and our commitment to a better life for our clients, we believe the future is bright and we shall deliver on our promise.

On behalf of the Board, I would like to thank management and staff at the Fund for your efforts in transforming and improving our Fund. The achievements in 2017 would not be possible without the contribution of each one of you. We will continue to work every day to support our members to prosper in all aspects, and to turn the Fund into the social security provider of choice.

The Board is confident that the Fund will deliver on its performance objectives in 2018. All necessary steps have been taken to strengthen and position the Fund to drive sustainable growth and value for all our stakeholders.

Mr. Patrick Byabakama Kaberege
CHAIRMAN, BOARD OF DIRECTORS

Board Of Directors



Mr. Patrick Byabakama Kaberenge

*Chairman, Non-Executive Director,
Private Sector Representative*

Appointed: 01 September 2015

Mr. Kaberenge joined NSSF after a distinguished career with Bank of Uganda, where, among other roles, he was the Acting Deputy Governor, Executive Director Operations, Executive Director/Chief Internal Auditor and Director for Domestic currency issuance. He brings extensive banking, finance and accounting experience and knowledge of risk management.

Patrick has previously served as Chief Accountant with Uganda Cooperative Transport Union (UCTU) as well as an Accountant/Executive officer in the ministry of Finance. He is also a past president of ACCA Uganda and Secretary of ICOSA Uganda. Patrick currently serves on the Boards of Uganda Energy Credit Capitalisation Company (UECCC) and a Volunteer member of National Planning Authority.

He is a fellow of the Association of Chartered Certified Accountants (ACCA), a Chartered banker and is a Certified Internal Auditor. He holds a Masters of Science degree in Finance & Computing from University of Greenwich (UK) and a Bachelors of Science degree in Financial Services from University of Manchester Institute of Science & Technology (UMIST)



Mr. Richard Byarugaba

Managing Director

Appointed: 01 August 2010

Mr. Byarugaba has overseen the Fund's transformation and turnaround over the last seven years now with Assets Under Management in excess of Ushs 7.9 Trillion.

Richard has a wealth of experience spanning over three decades in managing large financial institutions of international repute. He held similar roles at Nile Bank and Global Trust Bank before joining the Fund in 2010. In 2007, he was the Chief Operating Officer at Barclays Bank Uganda.

He has previously served on the boards of Standard Chartered Bank, Nile Bank, Global Trust Bank and the Uganda Institute of Banking and Financial Services. He also served as the president of the Uganda Institute of Bankers and Chairman Board of Directors, Nakasero Hospital Limited, Vodafone Uganda and Kulika, a charity organisation. Richard sits on the Boards of Uganda Clays and the Uganda Securities Exchange (USE). He is also the chairman of the East and Central Social Security Association (ECASSA).

Richard is a fellow of the Association of Chartered Certified Accountants (ACCA) and a Certified Public Accountant (Uganda). He holds an MBA from Edinburgh Business School (UK), a Management Diploma from Henley Management College (UK) and a Bachelors of Science degree in Statistics and Economics from Makerere University.



Ms. Peninnah Tukamwesiga

*Non-Executive Director,
Workers' Representative
COFTU*

Appointed: 01 September 2015

Ms. Tukamwesiga is the Head of Legal Aid at the Central Organization of Free Trade Unions (COFTU) and is a lawyer and advocate of the High Court of Uganda.

She has previously worked as a panel member at industrial court, executive committee member of Uganda Parastatal, Statutory Authorities and Judiciary Workers' Union.

She has also served as an advocate and legal consultant for several law firms and companies.

Peninnah holds a Masters in Law from Makerere University (Uganda), a Post Graduate Diploma in Legal Practice from Law Development Centre and a Bachelors of Law from Uganda Christian University.



Mr. Pius Bigirimana

*Non-Executive Director,
Government Representative
PS, MoGLSD*

Appointed: 01 June 2012

Mr. Bigirimana is the Permanent Secretary, Ministry of Gender, Labor and Social Development. He comes with vast experience in development and business administration and brings valuable local and international expertise in evaluation of public sector performance.

He has previously worked as a Permanent Secretary in the office of the Prime Minister (2008–2013), Undersecretary in the Ministries of Health (2006–2008), Public Service (2005–2006), Education and Sports (1999–2005) and as a Principal Assistant Secretary in the office of the President.

He holds an MBA, from Eastern and Southern Africa Management Institute (ESAMI) and a Masters of Arts in Development Administration and Management (majoring in Economic & Social Policy) from Victoria University, Manchester (UK)



Ms. Sarah Irene Walusimbi

*Non-Executive Director,
Employers' Representative
FUE*

Appointed: 01 June 2012

Ms. Walusimbi is a legal consultant with the Federation of Uganda Employers and has extensive board-level experience across a range of sectors.

She currently serves as a Board member for Housing Finance Bank and aBi Trust Uganda.

She is a member, Uganda Law Society and East African Law Society as well as a Certified Trustee in Pension Fund Management Kenya College of Insurance and a Female Future Program: Board Dynamics and Competencies Joint Award by FUE and Oslo and Arkeshus University of Applied Science Norway

She holds an MBA from Eastern and Southern Africa Management Institute (ESAMI), a Diploma in Legal Practice from Law Development Centre (Kampala), a Diploma in International Management from the Swedish Institute of Management and a Bachelors of Laws degree from Makerere University.



Mr. Andrew Stewart Obita

*Non-Executive Director,
Workers' Representative
NOTU*

Appointed: 01 September 2015

Mr. Obita is currently a member of the National Organization of Trade Unions (NOTU) and works with UMEME Ltd as the Staff and Contractor Engagement Manager – Service Delivery, Customer Service Department. He is the Chairperson of the Board Finance Committees of NSSF, Namilyango College and the East African Labor College. He is also a council member at the Association of Public Sector Union of East Africa and PTA Executive and Treasurer of Namilyango College. He is a former member of NOTU's supreme decision making body, the Central Governing Council (CGC).

He has more than 20 years of valuable experience in the energy sector having worked in several organizations at managerial level including Uganda Electricity Distribution Company Ltd, Uganda Electricity Board.

He holds an MBA in Finance Management from Cambridge International College (UK) and a Bachelors of Business Administration from Newport University (UK) and a Diploma in Computer Science, Higher Diploma in Business Administration and Business Accounting. He is currently pursuing a Certified Management Accountant (CMA) with the Institute Management Accountants (IMA.)



Mrs. Florence N. Mawejje

*Non-Executive Director,
Employers' Representative
FUE*

Appointed: 01 September 2015

Mrs. Mawejje is the General Manager Human resources at Centenary Bank. She has more than 15 years of experience in Provident Fund and Trusteeship. She sits on the Board of Uganda Clays Ltd, UMEME Ltd and is also a member of the Board of Trustees of Centenary Bank's Defined Contribution Fund.

She was the first chairperson of the MTN Provident Fund and participated in the structural review of the process of the pension sector while serving as Board member on the Federation of Uganda Employers' Governing Council.

She has previously worked at Unilever as the Cluster Human Resources Director, East and Southern Africa. She has also served on the Board of Trustees of various provident and pensions schemes such as Unilever, CARE International in Uganda, the National Agriculture Research Organization (NARO) among others.

She holds an MBA in Strategic Management from Eastern and Southern Africa Management Institute (ESAMI), a Masters of Science in Human Resource Development from the University of Manchester's Institute of Development Policy Management, a Post Graduate Diploma in Public Administration from Uganda Management Institute (UMI) and a Bachelors' of Arts in Education from Makerere University.



Mr. Patrick Ocailap

*Non-Executive Director,
Government Representative
MoFPED*

Appointed: 01 June 2012

Mr. Ocailap is the Deputy Secretary to the Treasury (MoFPED). He is a Board Member of the Financial Intelligence Agency and National Housing and Construction Company Ltd.

Patrick has previously served on the Boards of: National Medical Stores, Uganda Road Fund, African Institute of Capacity Development, Uganda Investment Authority, Uganda National Bureau of Standards, Pride Africa (U) Ltd and Pride Micro Finance Ltd. He has also held various positions in the Ministry of Finance including: Director of Budget, Commissioner Aid Liaison Department and Acting Commissioner Tax Policy Department.

He holds an Masters Degree in Development Economics from William College Massachusetts (USA) and a Bachelors of Commerce Degree from Makerere University (Uganda).



Mr. Wafana Nelson Makwasi

*Non-Executive Director,
Workers' Representative
COFTU*

Appointed: 01 September 2015

Mr Makwasi is the Deputy Treasurer General, Central Organization of Free Trade Unions (COFTU). He currently serves as the General Secretary of the Uganda Farm and Agro-Based workers' Union and is a member on the Public, Service Negotiating, Consultative and Disputes Settlement Council in the Ministry of Public Service.

He has previously worked at Lohana Academy as bursar/Administrator, as an accountant at Uganda Medical workers' Union and also managed the Central Region Health workers' SACCO.

He holds Masters in Business Administration (Management), Bachelors in Business Administration (Accounting) and a Diploma in Accountancy from the Institute of Accountants and Commerce (Kampala).



NSSF
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*NSSF Managing Director,
Mr. Richard Byarugaba*

Managing Director's Statement

In 2017, we posted unprecedented results underscoring the Fund's soundness and capacity to attain sustained growth. In the past seven years, the Fund has consistently improved its performance and we are committed to delivering a better life for our clients.

Operating Environment 2017

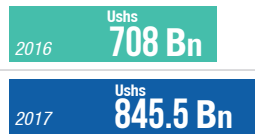
In 2017, we were faced with several challenges rendering the operating terrain unpleasant. They included; low economic growth (3.9 – 4.0%) compared to the projected 5.5%, low food production and supply due to a prolonged drought leading to high food prices, high interest rates that subdued private sector growth coupled with a weak shilling making imports expensive and crippling production.

Equity markets across East Africa, regional instability, and election–induced political uncertainty also had a knock–on effect on the business environment which increased the risk premium. World economic growth for the better part of 2016, and first quarter of 2017 performed rather poorly largely due to sluggish growth in advanced economies, low commodity prices, weak global trade, and diminishing capital flows. Despite all these negative factors that evidenced tough economic conditions, the Fund grew in all aspects. We continue to be the leading institution in social security services in the region.

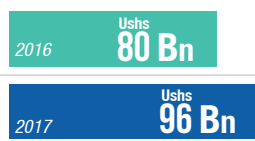
Performance Review 2017

Total Revenue (Realized and Unrealized income) was Ushs 912.2 Billion, 35% above Ushs 673.8 Billion in 2016 and 4% above the budget of Ushs 876.3 Billion. This was mainly driven by income from Fixed Income assets, Ushs 845.5 Billion in Realized revenue, which was 19% higher than the 2016 figure of Ushs 708.0 Billion and 5% above the target of Ushs 806.3 Billion. The recovery of stock prices after a prolonged period of low price valuation, also contributed to the increased total revenue. Operating costs (Cost of Administration) grew by 20% from to Ushs 80.0 Billion in 2016 to Ushs 96.0 Billion in 2017 and in-line with the budget figure of 2017.

Realised Revenue



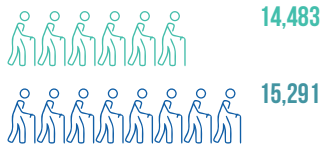
Operating Cost



The balance sheet size grew to Ushs 7.92 Trillion, 20% better than Ushs 6.60 Trillion in 2016 and 1% better than budget of Ushs 7.86 Trillion. Accumulated Members balance grew to Ushs 7.62 Trillion, 21% above Ushs 6.30 Trillion in 2016 and 2% better than the budget of Ushs 7.48 Trillion. Interest to members' Fund was 11.23% compared to the budget of 11.0%, resulting into Ushs 681.4 Billion 14% above Ushs 597.3 Billion credited to member accounts in 2016. The investment portfolio grew to Ushs 7.78 Trillion, 20% better than 2016 figure of Ushs 6.46 Billion.

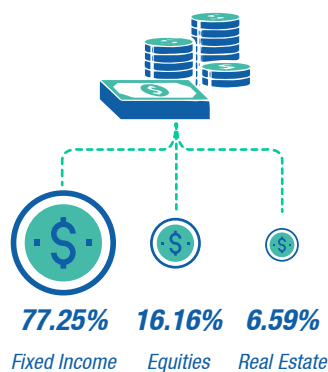
The investment portfolio allocation remains 77.25%, 16.16% and 6.59% for Fixed Income, Equities and Real Estate respectively compared to the desired Strategic Assets Allocation (SAA) of 76%, 21% and 6% respectively. On Equities, there was an increase in country diversification into Kenya, Tanzania & Rwanda markets helping to reduce the reliance on our domestic stock exchange which offers limited investment opportunities. 2017 Cost to Income ratio was 13.4%, better than budget of 15.6%. The Cost of Administration ratio was 1.3%, better than the target of 1.4% and better than 2% for Pension Funds of similar size.

Volume of benefits paid out



We paid out Ushs 278.3 Billion in Benefits in 2017 compared to the Ushs 238.8 Billion in 2016, representing a 17% year on year growth. The budgeted claims' amount was also 7% below the target claims amount of Ushs 300.0 Billion in 2017. The number of benefits paid out to qualifying members increased from 14,483 (2016) to 15,291 (2017) claims. Benefits Turn Around Time (TAT) increased from 9 days in 2016 to 11 days in 2017 and 4 days above the targeted 7 days.

Investment Portfolio Allocation



Member contributions grew to Ushs 916.9 Billion, 17% above Ushs 785.5 Billion collected in 2016, while the target was Ushs 924 Billion, registering a shortfall of 1%. 2017 saw the Fund collecting over Ushs 100 Billion in one month (June 2017) for the first time in its history. The continued contributions growth over the years has been driven by the relationship management model introduced in 2012, Straight Through Processing (STP) and improved compliance levels. Over 90% of all contributions are now coming through the e-collections channel and its usage has risen from an average of 40% in July 2012 to over 90% as at June 2017. Compliance level is at 80.2%, 3% better than 2016 rate of 78% and 4% better than budget of 77%. The amount of arrears collected during the year amounted to Ushs 67 Billion against the budget of Ushs 118 Billion. A total of 302 compliance audits worth Ushs 46 Billion were carried out during the same period.

Key Strategy Focus Areas

Two years ago, we set out to deliver on key strategic focus areas adopted from the 10-year strategic business plan approved by the Board in April 2015. The strategy is aimed at driving the Fund towards remaining the social security provider of choice. As we evolve with our customer, 2017 was the second year of implementing this corporate strategic plan. We now report on the following key focus areas in 2017;

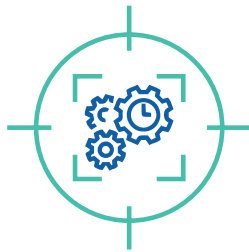
- i. Increase customer satisfaction.
- ii. Increase profitability.
- iii. Improve productivity.
- iv. Increasing innovation and product development.



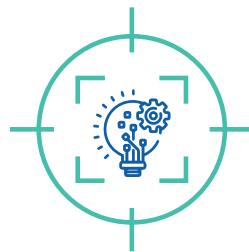
Focus Area 1:
Increase Customer
Satisfaction



Focus Area 2:
Increase Profitability



Focus Area 3:
Increase Productivity



Focus Area 4:
Increase Innovation &
Product Development

Increase Customer Satisfaction

Based on a survey conducted internally, we received a customer satisfaction rating of 92% compared to the target of 90% and 86% of prior year. Customer satisfaction is based on the Fund's Customer Service Charter and its major aim is to communicate to our customers the service standards we have set as well as declare our total commitment to better service delivery and to empower our customers to demand timely and quality services at all touch points.

Measures undertaken to improve on the quality of customer service during the 2017 included;

1. Implementation of the service quality function for members to access and advise on quality of service at the different touch points.
2. Prototyped the Customer Service Center as part of the initiative to establish premier service experience and standards.
3. Designed and developed the online customer contacts portal that offers flexibility in the management of customer contacts and engagements related to their transaction balances.
4. Launched and rolled out customer transaction alerts
5. Created the service outbound function to pro actively engage customers and give feedback to customers

Increase Profitability

This is measured against the return on investment and the expense to asset ratio among other indicators. In 2017, the return on average investment was 12.8% against a target of 12.4% and the expense to asset ratio was 1.3% against a target of 1.4%. We continue to invest prudently, earn a descent return on investment for our members amidst the turbulent economic environment.

Improve Productivity

The key result area here is the turn around time (TAT) for benefit processing. In 2017, our average TAT was 11 days, 4 days more than our target of 7 days. It was also 2 days more than the 2016 TAT. This is attributed to the changes in our verification model where we carry out field verifications to ensure that we pay the right members. However, a big number of claims were paid within 1 to 3 days and we are still committed to paying our members within 1 day by the year 2025.

Increasing innovation and product development

Empowering our members to build secure social security nets played a pivotal role in ensuring that the Fund keeps abreast with innovation and new products introduced. Member registration is now easy and at its best making access to social security services more convenient than ever before. Member contributions' collection was further enhanced by STP. This has also been augmented by our voluntary contributions making it easy to collect contributions from voluntary members in the formal sector. New Benefits ranging from child birth to ones' end of life are being explored to augment the current benefits.

Outlook and strategies for 2018

2018 presents another perfect opportunity to continue building on our core values and achievements of the past years of high performance to create a reputable organization that is relevant, and trustworthy to all our stakeholders. Our revamped brand, dedicated staff, loyal customers, empowered members and growing asset base will help us deliver on our promise.

Development, monitoring and evaluation of organization strategy are achieved through a dedicated strategy management office. Strategic objectives are supported and achieved through implementation of strategic projects –Initiatives.



“

2018 represents another chapter in our business, a perfect opportunity to continue building on our core values and achievements of the past years of high performance in order to create a reputable organization that is relevant, and trustworthy to all our stakeholders.

Customer perspective

In 2018, the focus is on increasing the Fund's capacity to provide a better customer experience to members through empowering them to build secure social security nets. We are greatly focusing on various initiatives that deliver on this objective. They include; training staff and utilizing the queue management system rolled out last year. Stakeholder management improvement is another initiative aimed at enhancing our brand image.

To ensure that we are more customer focused, and to improve on our member satisfaction, we plan to;

- Complete the installation of a new call center system –AVAYA with the key objective of improving call center management.
- Undertake branch standardization initiatives.

Financial Perspective

The Board and Management of the Fund committed to achieving a strategic Fund asset size of Ushs 20 Trillion by 2025. To achieve this, the Fund assets must grow by Ushs 1.6 Trillion every year through increased collections, better investment returns and maintain its aggressive cost management strategy. Basing on the current performance, the projection is not beyond reach. It is projected that this will enable the Fund to deliver a real return of at least 2% without eating up all reserves.

Processes Perspective

Data integrity and management remains vital to the Fund and business processes like payment of benefits and update of member accounts are closely monitored. Data quality monitoring was moved from operational to a strategic level. Management and Board are both monitoring this to ensure that data integrity is not compromised, and this is evidenced by significant improvements in Benefits processing and member statement update.

People and Systems Perspective

Good systems and processes can only be as good as the people who manage them. The Fund is committed to developing the capacity of staff and systems to deliver its promise to members. The e-learning system introduced a few years back has greatly addressed the training gaps that existed before. Over 98% of our staff used the platform against a target ratio of 95%. This translates into each staff member completing at least two developmental courses /trainings on the platform. The Fund continues to implement an internal succession planning strategy by encouraging mentoring and supervisor – supervisee contact thus improving the staff engagement. More staff are being promoted internally – a sign of a working internal succession planning strategy. This will continue to be a focus area in 2018.

Appreciation

I would like to thank the Board for the critical, strategic and oversight role they are playing in this exciting journey we started two years ago. I would also like to acknowledge the contribution of the staff for this outstanding performance and their efforts geared towards increasing convenience and speed of service delivery. To our dear members, thank you for your constant loyalty and support. With this level of performance, we will continue “To be the Social Security Provider of Choice.”



Richard Byarugaba
MANAGING DIRECTOR

*Mr. Richard Byarugaba
addressing members
during the Annual
Members Meeting*



Executive Committee



Mr. Patrick Ayota
Deputy Managing Director

Patrick joined NSSF in July 2011 and is currently the Deputy Managing Director. He is also in charge of the Fund's Strategy Function.

He was previously the Chief Financial Officer, a position he held for 6 years until November 2017.

Patrick has been at the forefront of various projects at the Fund which he steered successfully, recently turning out as runner up at the 2017 CFO Awards organised by ACCA.

Prior to joining the Fund, he was the Finance Director for Barclays Bank (Uganda). He has extensive experience in accounting and finance management that has been attained in various roles in Uganda and USA.

Patrick is a Certified Public Accountant (CPA). He holds a MBA from the University of South Carolina (USA) and a Bachelors of Science Degree in Finance from Liberty University, Virginia (USA)



Mr. Richard Wejuli Wabwire
Corporation Secretary

Richard was appointed Corporation Secretary of NSSF in November 2014.

He is a seasoned lawyer/ advocate who has held similar responsibilities with Uganda Breweries Limited, Century Bottling Limited (Coca Cola SABCO), National Water and Sewerage Corporation, Kinyara Sugar Works Limited and BAT Uganda.

He holds a Post Graduate Diploma in Legal Practice from Law Development Centre (Uganda). He also holds an MBA from the University of Strathclyde (UK) and a Bachelors of Law Degree from Makerere University.



Mr. Stevens Mwanje
Chief Financial Officer

Stevens joined NSSF in February 2010 as the Head of Business Operations and has over the past 7 years headed the Sales/Operations Department & the Business Department.

Prior to joining the Fund, Stevens worked with Bank of Africa (U) Ltd where he headed the Finance, Treasury and Commercial Departments.

Stevens is a Fellow of the Association of Chartered Certified Accountants. He holds an MBA in Business Management from Harriot Watt University. He also holds a Post Graduate Diploma in Business Management from the University of Leicester and a Bachelors of Arts Degree from Makerere University.



Mr. Gerald Paul Kasaato
Chief Investment Officer

Gerald joined the Fund in July 2011 and is currently the Chief Investment Officer.

He has previously worked as Portfolio Manager, Equities (NSSF), Finance and Investment Manager (National Housing and Construction Company) and also served as Manager Investment and Treasury (NIC) as well as similar roles in various entities in the UK.

Gerald is a CFA, Level 3 candidate and a Fellow of the Chartered Association of Certified Accountants (ACCA) and a Certified Public Accountant.

He holds a Master's of Science Degree in International Finance and Investments from the London South Bank University (UK) and a Bachelor of Science Degree in Accounting from Oxford Brookes University (UK)



Mr. Geoffrey Waiswa Sajjabi
Head of Business

Geoffrey joined NSSF in August 2008 and is currently the Head of Business where he is responsible for the Fund's business growth and retention.

He has worked across the Fund in a variety of commercial, operational and managerial roles. Having started off as a Benefits Officer, he quickly rose through the ranks to Branch Manager, Contributions Manager and more recently Head of Business.

Geoffrey holds a Bachelors of Social Science degree from Makerere University (Uganda) and an Administrative Officers Law Course from the Law Development Center (Uganda).

He is a member of the Balanced Score Card Institute and a pioneer member of the CEO–Apprenticeship Program. He is currently undertaking an MBA with Edinburgh Business School.



Mrs. Jean Mutabazi Kasirye
Head of Operations

Jean joined the Fund in January 2011 and is currently Head of Operations where she is responsible for delivering value to the customer. She has previously worked as the Financial Controller and Compliance Manager at the Fund.

Jean has worked in various senior managerial roles. These include; Assistant Head of Finance and Administration at Diamond Trust Bank – Uganda and Kenya and AAR Health Services as well as Finance Manager in Eskom Uganda.

Jean is a Fellow of the Chartered Association of Certified Accountants (ACCA).

She holds an MBA from Edinburgh Business School – Harriot Watt University (UK) and a Bachelors of Science Degree in Quantitative Economics from Makerere University. She is currently pursuing an Executive Certificate at the Massachusetts Institute of Technology in Operational Excellence.



Mr. Milton Owor
Head of Human Resources and Administration

Milton joined the Fund in February 2017 as the Head of Human Resources and Administration.

He previously worked as Human Resources Director for General Electric Africa, Human Resources Director Anglo–phone Africa at Shell and Regional Human Resources Director at British American Tobacco.

He holds a MBA from the University of Leicester and a Bachelors of Arts Degree from Makerere University.



Mr. Elijah Kitaka
Head of Technology

Elijah joined the Fund in January 2017 as the Head of Technology.

He previously spent five years at Google working as a Partner Developer and later Program Manager on the Developer Relations Team, focused on growing the technology startup ecosystem in Sub Saharan Africa. He also worked at Barclays and Global Trust Bank prior to joining Google.

He holds a Bachelors of Science Degree in Computer Science from Makerere University.



Ms. Barbra Arimi
Head of Marketing & Communications

Barbara joined the Fund in December 2014 as the Head of Marketing and Communications.

She joined the Fund from Orient Bank where she was Group Head Corporate Communications and Marketing.

Barbara is a member of the Chartered Institute of Marketing.

She holds an MBA from the Eastern and Southern Africa Management Institute (ESAMI) and a Bachelors of Commerce Degree (Marketing) from Makerere University.



Mr. Geoffrey Barigye
Head of Internal Audit

Geoffrey joined the Fund in March 2001 and is currently the Head of Internal Audit.

He previously worked as Deputy Chief Internal Auditor, Audit Team leader and Internal Auditor for the Fund. He has also worked as an Accountant for Uganda Breweries Limited.

Geoffrey is a Fellow of the Chartered Association of Certified Accountants (ACCA) and a Certified Public Accountant and a member of the Institute of Internal Auditors.

He holds an MBA and a Bachelors of Commerce Degree both from Makerere University.



Mr. Edward Ssenyonjo
Head of Risk

Edward joined the Fund in September 2010 as a Compliance Risk Manager and has since risen to the position of Head of Risk, and Chief Coordinator of the Fund's Business Continuity Management program.

He has over nine years' experience in risk management, seven years' experience in Business Continuity Management, and two years' experience in internal audit and customer care.

He is a member of the Association of Chartered Certified Accountants (ACCA), and a member of the Institute of Certified Public Accountants of Uganda (ICPAU). He is also a Professional Evaluation & Certification Board (PECB) Certified ISO 31000 Risk Manager.

He holds a Bachelors of Commerce Degree from Makerere University and is currently pursuing an MBA at the University of Nicosia, Cyprus.



Mr. Gerald Mugabi
Head of Procurement

Gerald joined the Fund in July 2013 as the Head of Procurement.

Prior to joining the Fund, he worked for UNRA, the Ministry of Finance Planning and Economic Development under the Financial Management and Accountability Program

Gerald is a member of the Chartered Institute of Purchasing and Supply (UK) (MCIPS).

He holds an MBA from Uganda Management Institute and a Bachelors of Commerce Degree (Transport Economics) from the University of South Africa.

NSSF
VOLUNTARY
MEMBERSHIP

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**DON'T BE THE
ONE THAT WILL
RETIRE INTO POVERTY**

Temaligwe Charles

Former Football Star
KCC FC & Uganda Cranes

Charles was a hero both on and off the pitch. Then one day the glamour life was all gone.

He is among **millions** of working Ugandans who retire into poverty because they do not have a retirement plan.

GET A SECURE RETIREMENT PLAN TODAY

Sign Up for NSSF Voluntary Membership by visiting your nearest NSSF Branch OR call our toll free line



*You can make your voluntary contributions conveniently through mobile money OR dial *254# on your mobile phone



Evolving with You

in Strategy



A member is born, goes to school, gets a job, saves with NSSF, retires and gets his/her benefits.

In addition to the long term need provided by the retirement benefits, members have short and mid-term needs including housing, health and education. The current law does not allow NSSF to offer these benefits to members.

A Ugandan working outside the formal sector watches with envy as members enjoy the perks of saving with NSSF; safety of their savings, good growth of returns and convenience of accessing savings at eligibility. These Ugandans desire to save with NSSF, but the current law does not allow the Fund to offer this opportunity to Ugandans in the informal sector.

Many of our members work with employers who do not deduct or submit the full contributions required by law. In failing to remit these contributions, the

employer “robs” the member of what is legally his/hers. The current law makes it very difficult for NSSF to effectively recover such contributions.

That is changing. NSSF is evolving to meet member needs.

In March 2018, Cabinet approved the Proposed Principles to Amend the National Social Security Fund Act Cap 222. The amendments recommend that NSSF be retained as the basic national scheme tasked with collecting all mandatory contributions by workers in the formal sector.

The amendments would further improve social security coverage by allowing voluntary contributions from the informal sector, provide for the introduction of new benefits, streamline the investment process, and enforce compliance with the law. The proposed amendments when passed into law, will empower the Fund to truly live up to its mission of giving members “a better life.”

Let us all work to make the proposed amendments a reality.

Patrick Ayota
DEPUTY MANAGING DIRECTOR



“The proposed amendments when passed into law, will empower the Fund to truly live up to its mission of giving members “a better life.””





*NSSF Executive team
taking part in a strategy
session*

Our Strategy

In April 2015 the Board of Directors approved the 10 year, 2015–2025, strategic plan for the Fund. In this plan four strategic targets were set.

- 1. Achieve a 95% customer satisfaction rating*
- 2. Grow the Fund Asset size to 20 Trillion Uganda Shillings by June 2025.*
- 3. Achieve an average benefits processing time of 1 day and a member statement update time of less than 24 hours.*
- 4. Achieve a 95% staff satisfaction rating*

Development of the business strategy was guided by a detailed customer needs assessment and a critical evaluation of the Funds ability to deliver.

An internal survey identified the members as the Funds primary customer and their employers as the secondary customers. The Government, Regulators, Social Security Bodies, Unions, The Board, Staff and the Media were identified as key stakeholders.

The Customer needs Assessment report informed the Fund that members require five (5) things from the Fund

1. Safety of their savings
2. Reasonable Returns
3. Accessibility
4. Reliability & Integrity
5. Timely good customer service


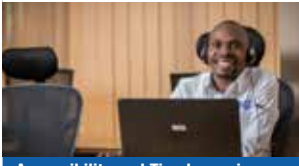




The report also introduced new demands from the members that included:

1. Mid-term access that includes Health, Housing and Education.
2. Consistent Returns
3. Relevance through life cycle.
4. Prudent Choice especially on how Funds are invested and decumulated.

These needs were captured during the strategy development process and formed the basis of the Customer Value Proposition for the 10 year strategic plan.

Table1: Customer Value Proposition 2015–2025 – Our promise to our members

Customer Need	Our Promise
 Safety of Savings	Reasonable and Consistent Returns on their savings
 Accessibility and Timely service	Excellence in our service delivery channels and customer relationship
 Member Empowerment	Prudent choice offered to our members on where their savings are invested to meet their social security needs
 Relevancy throughout Life Cycle	Value-adding products that cater for the short-term, medium-term and long-term social security needs of our members

A further assessment of the operational environment was carried out to understand whether the environment within which the current legislation was set up is still relevant. It was discovered that customer needs and preferences have actually evolved.

The old model based on paternalism where the State provided retirement income for all citizens is no longer tenable. The fixed design system also has to give way for a new more dynamic retirement benefits model.

Such systems would enable a customer centric approach to retirement benefits and provide members and employers more choice on how their savings are accumulated and decumulated. Some of these changes have begun to manifest through new legislation, which established the regulator, and a push to expand the benefits and services provided by the Fund.



NSSF MD leads a strategy session with members of senior management.

Our Business Model

1

What we Need for our Business to Work

NSSF collects 5% contribution from each member and 10% from their employer

People & Culture

Our Members

Meeting the needs of our members is a key aim of our business as we are mandated by the NSSF Act to provide social security services to members of the private sector. Our members are made up of employers, who are ***required by law to contribute 10% of each employee's monthly salary towards their retirement***, and employees who are ***required to contribute 5% of their monthly salary*** towards the same.

Technology & Relationships

Technology

Today the Fund continues to embrace innovation as one of its pillars of competitive advantage and as a result the Fund has registered tremendous improvement in its collections, compliance levels, customer numbers, service delivery and customer satisfaction. Some of our recent innovations include Voluntary contributions provident plan, Mobile Money platform, e-collections system, Draw Down payment plan, NSSF Go self-service channels and transaction alerts among others.

Our Employees

Our employees are part of our human capital and their health, safety, competencies and welfare are fundamental to the Fund's operational effectiveness. As such the ability to attract, develop, enable and retain the very best consultants and managers in our industry is vital to our success. We aim to create an exciting and vibrant work environment and we work continuously to provide our people with attractive career paths that will make them experts in their fields.

Partnerships & Collaborations

Our philosophy is not just to invest in technology solutions, but also to build strong collaborations with leading innovators, influential organizations as well as in Government and our Regulators, creating mutually beneficial relationships which help us better understand and serve our stakeholders.

This philosophy extends beyond the technology sector and enhances our ability to better respond to fast-moving market developments.

2 How we Create Value

NSSF then invests prudently, what has been collected, in several assets that are sure to generate revenue and yield returns

3 How our Stakeholders Benefit

Members are then credited with interest off these revenues and returns



Fig 1: NSSF Business Model

Members

Each member has an account with the Fund where their collections as well as those from their employers and interest declared by the Fund are credited to. The Fund maintains more than one Million member accounts.

Interest Rate

11.23%

Benefits Paid Out

Ushs 278 Bn

Employees

We invest a significant amount of time and effort to ensure NSSF is a great place to work. We offer our staff the best training to become experts in their fields and develop their careers, along with the best technology and tools in the industry to enable them to be as productive and successful as possible.

Promotion Rate

9.8%

Community

The Fund gives back to communities in a structured and sustainable manner which ensures a maximum positive impact. Our efforts are directed to education, poverty alleviation, health care for the disadvantaged and environmental conservation.

Health Equipment Donations

Ushs 370M

A further assessment was also carried out using the SWOT methodology

SWOT analysis



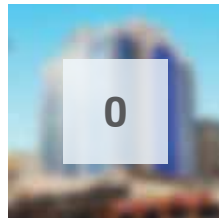
Strengths

- I. Healthy Balance sheet
- II. Strategic distribution network
- III. Largest market share and known brand name.
- IV. Experienced staff and management



Weaknesses

- I. Data integrity/System issues
- II. Limited benefit range
- III. Compliance enforcement



Opportunities

- I. Opportunity to participate in making new laws and regulations of the retirement benefits sector
- II. New benefits and services to attract informal sector
- III. Additional collections from improved compliance



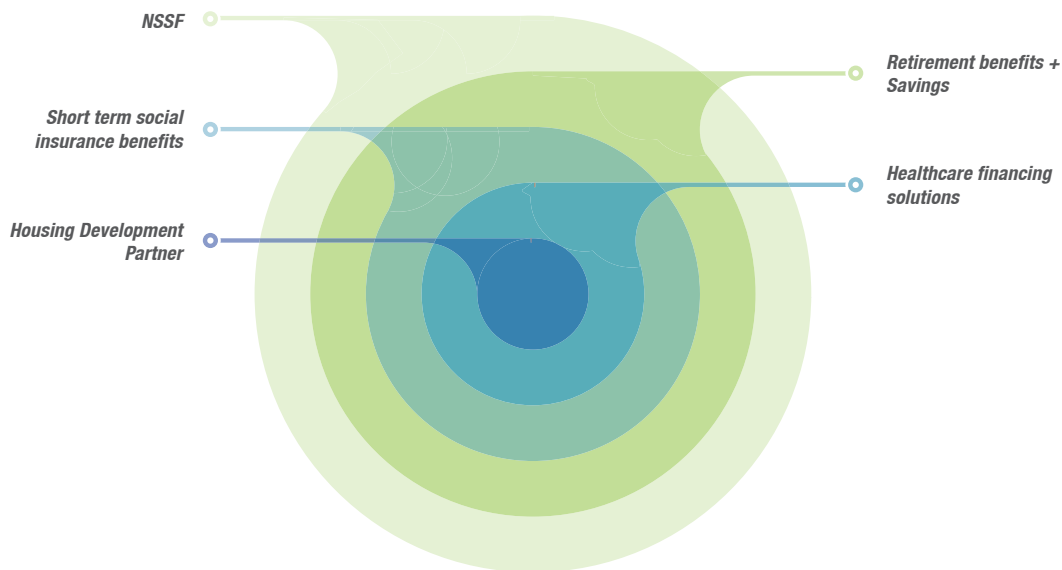
Threats

- I. Impact of new legislation: competition, member expectations
- II. Economic Risk: Unstable shilling
Unpredictable inflation, high cost of borrowing and interest rates
- III. Potential of Litigation

The business strategy was formulated to take advantage of the gains and mitigate the pains arising from this SWOT analysis. In addition to this management realized that there was a need to differentiate the Funds offering in order to maintain the Funds position as a market leader in the provision of retirement benefits in Uganda.

A differentiation plan to carve out that additional benefit which Fund members will enjoy uniquely from the rest has been included in the 10 year strategic plan. It is summarized in Fig. 2;

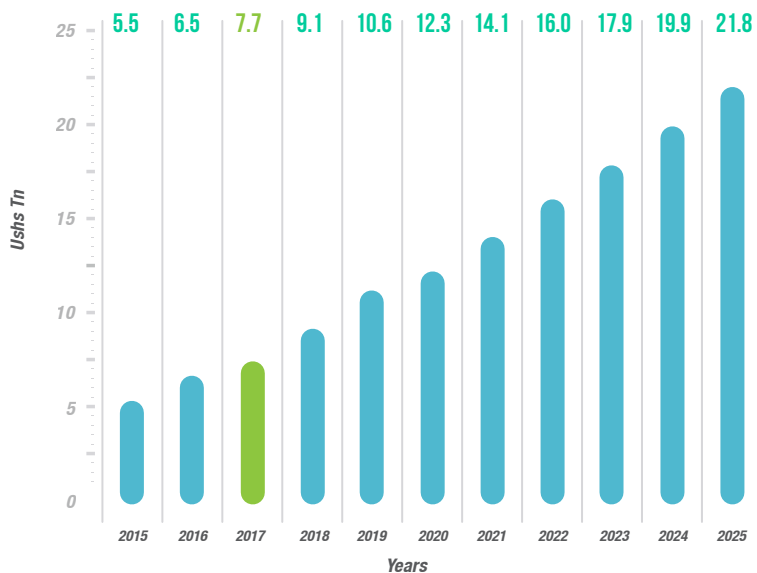
Fig. 2: Benefit Targets



The goal is to provide a system of benefits that are relevant throughout the life cycle of the member and provide a holistic social risk management solution.

In order to achieve the projected 20 Trillion by June 2025 the Fund Asset had to grow to Ushs 7.7 Trillion in 2017 and Ushs 9.1 Trillion by June 2018. Below is a chart showing expected annual Asset sizes in order to achieve the Strategic Asset Size.

Fig 3: Closing Asset Position



In order to achieve this growth the following estimate annual targets were set for the 2016/2017 FY

Table 2: Annual Targets for Financial Year 2016/2017

Budget line	Required
Return on Investments	13.9%
Contributions	10% increment over FY 2015/16
Benefits payment turn-around-time	7 days
Expenses ratio	1.3% of average Asset under management

The following key initiatives have been implemented in the 2016/17 financial year

1. Phase 3 of the E–collections project

This project has enabled employers to easily remit workers savings using online banking. An employer with an internet connection can now remit contributions for their employees from any location at any time. E–schedules and receipts are automatically handled by the e–collections portal. This portal has built–in error handling and data validation ensuring that the quality of data coming into the Fund is good. This project has also enabled straight through processing of member contributions and, for the first time, we are able to instantly update a member statement.

2. Mobile contributions collection and benefit payments

Recognizing that members, and indeed the world over, are building eco–systems around mobile devices to enable a wide range of services to be accessed anywhere and everywhere. We as a Fund, having previously provided the NSSF–Go mobile app, a USSD service and a web interface, can now receive contributions from and pay out benefits directly to a mobile device. Retiring members can now vote to receive their benefits conveniently on their mobile phones. We are going to utilize this platform an alternative means of making contributions to the Fund.

3. Voluntary scheme

We have encouraged members in the formal sector who are not strictly required to contribute to the Fund by law to do so voluntarily. They can make contributions to the Fund and benefit from the attractive savings interest rate we provide to our members as well as the security of their savings. They are also entitled to the same benefit level as our mandatory members. The scheme has registered over 2,333 members and has collected Ushs 2.44 Billion by the end of June 2017.

4. Staff restructuring





We have restructured our staff in order to better serve the members. More staff have been posted to front line customer facing roles such that at all times the member has a staff ready to provide our services. The long term strategic goal is for the Fund to have a 70:30 distribution of Front (Customer facing) and Back office (Operations) staff.

Performance on the strategy (2016–17)

During the Financial year 2016–17 the Fund was able to achieve a score 106% – An average performance level.



Table 3: 2016/17 Organization Balanced Scorecard

2016/17 Organizational Balanced Scorecard						
Perspectives	Weight	Objectives	Measures	Actual	2016/17 TARGET	Traffic Light Forecast
	25%	Improve Customer satisfaction	Customer satisfaction index score	92%	90%	102%
		Improve brand image	Tonality score	90%	90%	100%
Customer						101%
	25%	Increase contributions	% increase in contributions (Vs. 2015/16)	14.6%	10%	145%
			% of active to total registered members	49.2%	50%	98%
		Increase Revenue	% increase in member registration vs Previous year	24.9%	12%	145%
			Number of Voluntary members recruited per annum	3,425	5,000	69%
		Reduce Costs	New Employer Registration	2,788	2,600	107%
			Employer Compliance rate	80%	77%	104%
		Increase Return to Members	% return to members above inflation	2.86%	2%	143%
		Increase Revenue	Average return on investment (WHT)	13.4%	13.9%	96%
			% of targeted real estate milestones achieved	117%	85%	138%
	20%	Improve data quality	Reduction of Suspense (61.1 Bn)	24%	20%	118%
			Data Quality Index	83%	85%	98%
		Improve service delivery	TAT for payment of benefits	11	7	84%
			TAT for customer statement update	0.3	1	145%
		Improve Accountability and Transparency	Transparency index (Include compliance with regulatory standards and rules)	100%	95%	105%
			Audit Opinion	Unqualified	Unqualified	100%
			Green score in satisfactory audit rating in self-risk assessment	84%	80%	104%
		Increase Strategic Partnerships	% of partnerships in active mode during the year	33%	80%	42%
Increase Products and Services	% uptake of new service/ product in year of launch	87%	30%	145%		
						104%
	20%	Enhance a winning culture	Number of external achievement awards won	3	3	100%
			Staff satisfaction & engagement index	84%	90%	93%
			% of in-house promotions vs. External Recruitments for senior positions	33%	75%	44%
		Enhance Technology Usage & Improve staff knowledge and skills	% completion of project milestones	83%	85%	98%
			% of staff completing at least 2 courses in e-learning	97%	90%	107%
						96%
Average Fund Performance						106%

Evolving with You

in Business



It is common knowledge that what got you a client yesterday, will not be sufficient in your quest to retain that client today. Businesses therefore need to adapt very fast to the ever-changing customer demands. In our dream for sustainable growth, we have had to anticipate changing customer trends and come up with practical solutions that can address these needs.

Remodeling the Outreach Centers.

During the year, we adopted an outreach model based on the mobile office concept. We have 23 dedicated outreach centers that provide services to customers in their most convenient locations without requiring them to make physical visits to our offices. We are working with IT to ensure all our services are available to clients during these outreaches. With the anticipated amendments to the NSSF Act expected to increase walk-ins, the outreach model will significantly support the Business in serving the increased number of customers.

Improved Registration Process and system.

Working with IT, we have commenced works on a new registration process for both members and employers and this will be supported by NIRA and URSB integrations. Our aim is to achieve self-service for this core process. The NIN and Business Registration numbers will be the unique identifiers for members and employers respectively. This will make registration much more convenient and faster since all information relating to the client will be automatically pulled from NIRA or URSB databases.

The role of Business Analytics.

In recognizing the increasing role of data analytics, the Department has recruited a young dynamic team to support growth and retention through data analytics. The Department is investing in training for this team and is already realizing value from business analytics. We are now in position to project performance based on customer trends. The next phase is to automate a significant percentage of the business.

The effect of the above initiatives notwithstanding, the key driver of our performance is PEOPLE. No matter how nice a strategy you adopt, it is bound to fail if the people who are meant to execute are not involved and well aligned. We have therefore

made it our core objective—business to look after our people well. We will continuously engage our staff and create an environment that can enable them prosper.

I wish to end by paraphrasing the words of Sir Matt Busby; We shall strive for perfection and if we fail, we might just settle for excellence. However, we are aware that perfection and excellence are a result of failing many times. We are prepared to fail if this can be our lesson to realizing sustainable growth.

Geoffrey Sajjabi
HEAD OF BUSINESS

“The key driver of our performance is PEOPLE. No matter how nice a strategy you adopt, it is bound to fail if the people who are meant to execute are not involved and well aligned.”





Financial and
Business Review



At the Fund, teamwork has enabled us to work together toward a common vision



*NSSF Chief Financial Officer,
Mr. Stevens Mwanje*

CFO's Financial Review

In 2017, the economy witnessed some instability and volatility arising from a number of factors: the aftermath of the national election punctuated with political tension, continued slowdown and volatile global economy and the subsequent declining commodity prices resulting from slower growth in most large economies. These had a lot of effect on the business of the fund (Fixed Income). The challenges aligned with these developments include; Interest on government securities being on a downward trend in Uganda. This played in favor of obtaining more investments in other countries like Kenya which also entails the aspect of foreign exchange which greatly affects the return on these fixed incomes. Despite the challenges, we have still recorded considerably satisfactory performance on our top line numbers as highlighted below;

Key

- 2017
- 2016
- 2015



Analysis of Financial results.

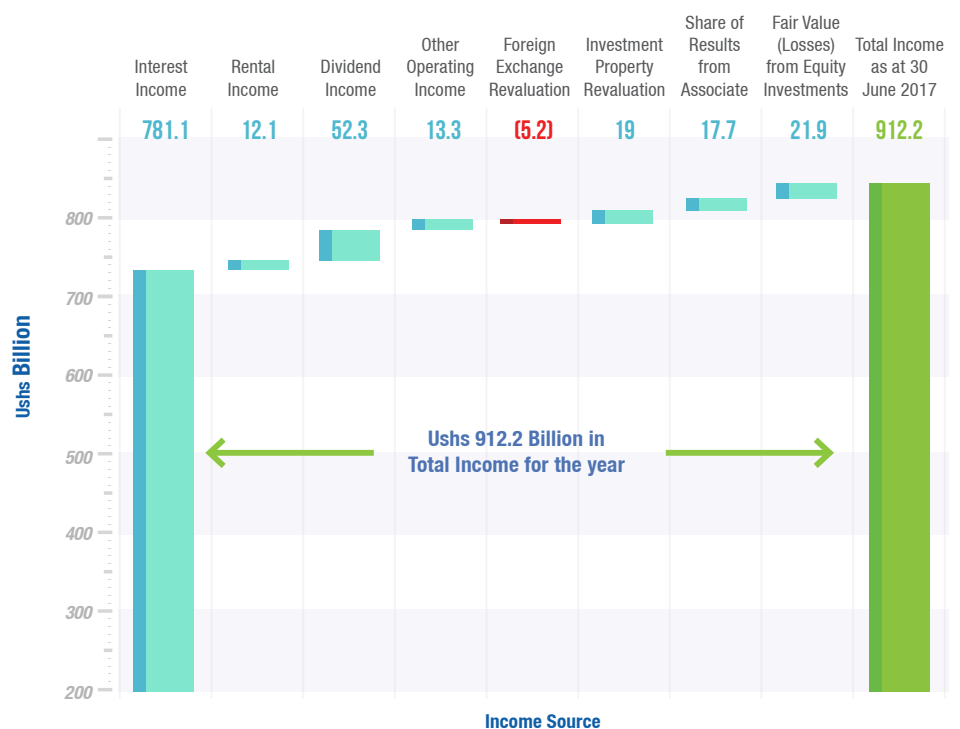
The financial statements of the Fund were prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB) to meet the requirements of the National Social Security Fund Act (Cap 222) of Uganda.

Our overall profit significantly grew during the year mainly on account of fixed income, and fair value gains on the equity investments. Below are the major highlights;

Revenue

1. Driven by the increase in stock prices and the rise in foreign currency, annual total income amounted to Ushs 912.2 Billion in 2017 which is 4% above budget of Ushs 876.3 Billion. Compared to 2016 total income of Ushs 673.8 Billion, there is a growth of 35%.
2. Gross Interest income grew by 19% from Ushs 658.8 Billion in 2016 to Ushs 781.1 Billion in 2017. This represents a 5.7% better than budget position of Ushs 738.7 Billion.
3. Rental income amounted to Ushs 12.1 Billion, 5.2% up from Ushs 11.5 Billion in 2016 and 4.6% above the budget of Ushs 11.3 Billion.
4. Dividend income went up by 38.8% from Ushs 37.7 Billion in 2016 to Ushs 52.3 Billion in 2017.
5. We had a significant growth in Other operating income, increasing by 210% to Ushs 49.0 Billion in 2017 from Ushs (44.5) Billion in 2016.

Fig. 1: Total Income Growth Comparison



Costs management

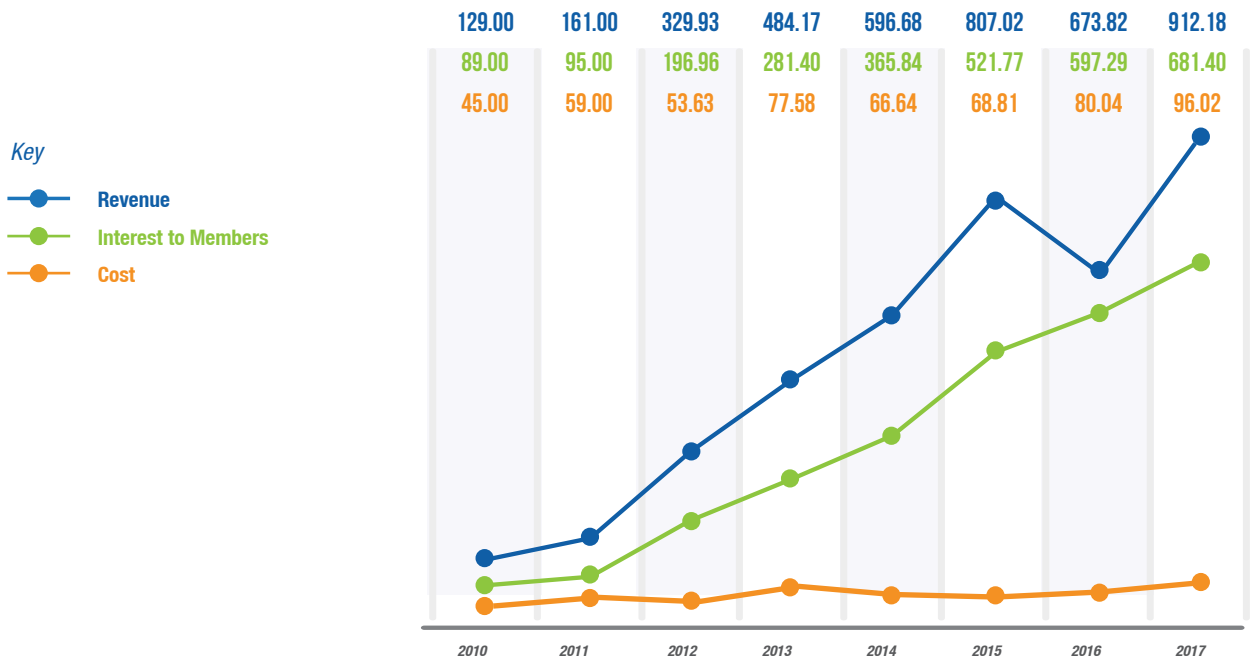
Annual operating costs amounted to Ushs 96.0 Billion, in-line with the budget of Ushs 96.0 Billion and representing 20% increment from last year's figure of Ushs 80.0 Billion. Cost of Administration was 1.3% in-line with prior year's 1.3% and below the budget of 1.4%. The Cost income ratio stood at 13.4%, better than the budget of 15.6%.

Interest Credited to Members

Given the good performance in the financial year 2016/17, the Minister for Finance Planning and Economic Development approved an interest of 11.23% to be credited into members' accounts for the year. This is better than the planned 11%. In absolute terms this resulted into Ushs 681.4 Billion for 2017, 14.1% better than the Ushs 597.3 Billion for 2016.

The prudent investment strategy coupled with efficiencies and cost management strategies have led to consistently higher productivity which has resulted into members receiving more value in form of interest.

Fig. 2: Revenue, Cost & Interest to Members (Ushs Bn)



Financial Position

Assets size

The Fund balance sheet increased to Ushs 7.92 Trillion in 2017 representing a 20% growth on Ushs 6.59 Trillion in 2016. This is 1% better than the budgeted Fund size of Ushs 7.86 Trillion.

The Fund invests in different asset classes—Fixed Income securities, Equity and Real Estate Fixed income investments increased by 21% to Ushs 6.00 Trillion from Ushs 4.94 Trillion in 2016. This growth is mainly attributed to the continued investment in treasury bonds with governments of Uganda, Kenya, Tanzania and Rwanda as well as Fixed Deposits.

Equity Investments increased by 18% to Ushs 1.25 Trillion, from Ushs 1.07 Trillion in 2016. This growth is mainly due to the purchase of the new shares. Additions include; Tanzania Portland Cement (TZS) TPCC (2,002,260 shares) for Ushs 5.0 Billion and British American Investment Kenya (Britam) (KES) (1,900,000 shares) for Ushs 900 Million, East African Breweries Limited of Ushs 113 Billion, and PTA Bank Ushs 49 Billion.

Investment properties grew by 13% to Ushs 512.0 Billion from Ushs 454.1 Billion in 2016.

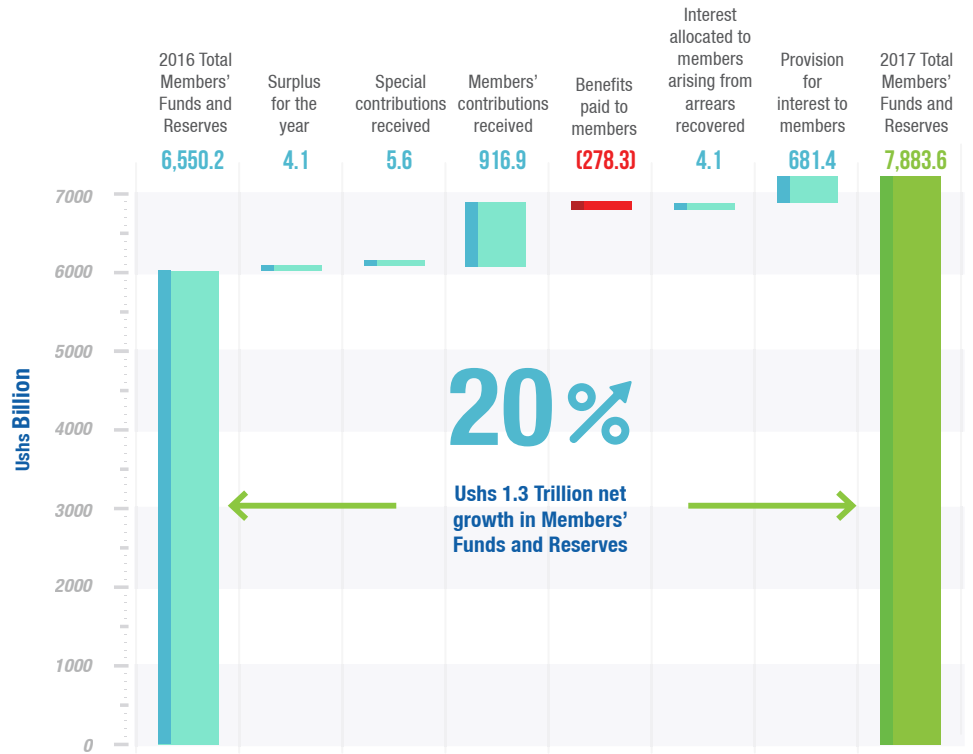
Liabilities

The liabilities grew by 14.1% to Ushs 40.6 Billion up from Ushs 35.6 Billion in 2016.

Members Fund and Reserves.

Members' funds and reserves increased by 20.4% to Ushs 7.88 Trillion from Ushs 6.55 Trillion in 2016. This is on the account of Ushs 916.9 Billion in collections and total interest credited to members balance of Ushs 681.4 Billion at a rate of 11.23%. This resulted into members receiving more value than planned, i.e at an interest rate of 11.0%.

Fig. 3: Members' Funds and Reserves Comparison



Cash flow analysis

The closing cash and bank balance stood at Ushs 56.2 Billion, compared to Ushs 27.8 Billion for 2016. The Fund generated Ushs 648.3 Billion net cash flows from financing activities and used the same to finance investments specifically in fixed income and equity portfolios.



One way we keep momentum going is to have constantly greater goals year on year

CFO's Business Review



Over the past five years the fund has grown in all dimensions. The engine of growth has been;

- Relationship Management improving compliance levels and contributions we collected.
- Careful aggressiveness in investment leading to higher revenues and returns.
- Efficiencies leading to better cost management levels
- Robust customer relationship leading to higher satisfaction rates.

Compliance Levels and contributions collected

Driven by the Relationship model of management, compliance improved from 78% in 2016 to 80% in 2017 leading to improved contributions collected during the period.

Fig.4: Compliance Level over the years (%)

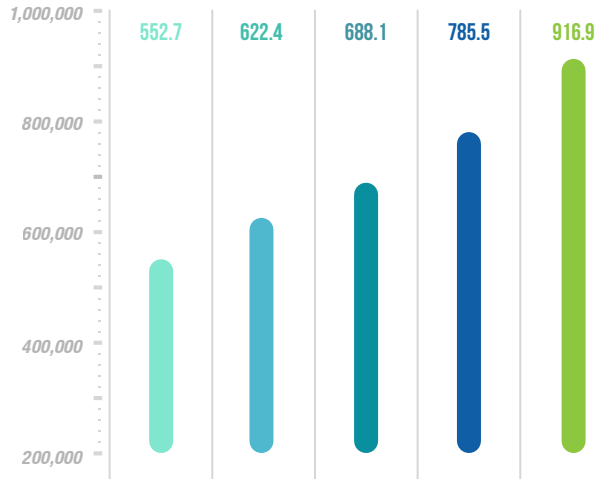
Key

- 2017
- 2016
- 2015
- 2014
- 2013



- Key
- 2017
 - 2016
 - 2015
 - 2014
 - 2013

Fig. 5: Contributions Collected (Ushs Bn)

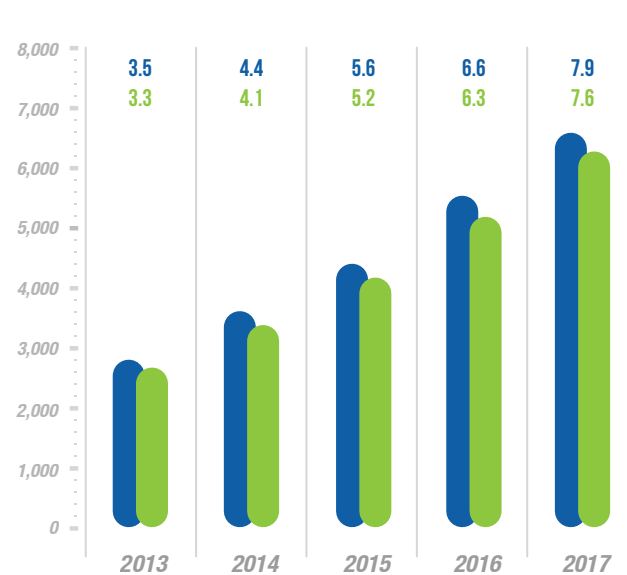


Due to the improved compliance levels, our contributions grew by 17% to Ushs 916.9 Billion up from Ushs 785.5 Billion in 2016. This is a growth of 66% over the last five years. The Fund’s average monthly contributions for the year stood at Ushs 76 Billion. The constant growth in contributions has seen the Fund grow by over 128% over the last five years through careful investments. The Fund assets are more than adequate to cover member liabilities, making NSSF a fully funded organization. Members claim against the Ushs 7.9 Trillion asset base stands at 96%. The fund is now the largest financial institution in Uganda and largest Pension Fund in East Africa.

Fig. 6 below shows the comparison between Fund assets and members Liabilities.

- Key
- Total Assets
 - Members’ Funds

Fig. 6: Assets – Members’ Funds over 5 years (Ushs Tn)



Investments Returns and Revenues

The members’ contributions collected are prudently invested in three different asset classes of Fixed Income securities, Equity and Real Estates in order to earn a return.

Assets under management

In 2017, the assets under management improved by 20% to Ushs 7.77 Trillion compared to Ushs 6.46 Billion in 2016 due to capital gains on real assets, increased contributions and interest income earned on fixed income investments.

The fixed income portfolio increased to Ushs 6.0 Trillion up from Ushs 4.94 Trillion in 2016. Equity investments increased to Ushs 1.25 Trillion in 2017 up from Ushs 1.07 Trillion at the end of 2016, while the real estate investments increased to Ushs 512 Billion in 2017 up from Ushs 454 Billion in 2016.

Table 1: Assets under management (in Ushs Billions)

Asset Class	June 2015	June 2016	June 2017	2016/17 % Change
Fixed Income	4,125	4,940	6,000	21%
Equities	899	1,067	1,255	18%
Real Estate	445	454	512	13%
Total	5,469	6,461	7,767	20%

Asset allocation

The fixed income portfolio stood at 77.2% of total assets under management while the equity and real estate portfolios stood at 16.2% and 6.6% respectively. Compared to the last financial year, the allocations to fixed income has slightly grown from 76.5% while that of equities slightly declined from 16.5% to 16.2%, despite more additions to the equity portfolio including; KCB Kenya, Britam Holdings Limited, Safaricom (K) Limited, Stanbic Bank Limited, Tanzania Breweries Limited, Tanzania Portland Cement, Yield Investment Limited and PTA Bank. Allocation to real estate declined from 7% to 6.6%.

As seen in Table 2 and 3 below, the portfolio allocation is in line with the preferred strategic exposures of the current Strategic Asset Allocation (SAA).

Table 2: Assets Class Allocation

Asset Class	June 2015	June 2016	June 2017	SAA
Fixed Income	75.4%	76.5%	77.2%	73.0%
Equities	16.5%	16.5%	16.2%	21.0%
Real Estate	8.1%	7.0%	6.6%	6.0%
Total	100%	100%	100%	100%

Table 3: Summary of Approved SAA

Asset Class	Minimum	Optimal	Maximum
Fixed Income	60.0%	73.0%	100%
Equities	10.0%	21.0%	25.0%
Real Estate	5.0%	6.0%	12.0%

Performance

The total portfolio returned 12.9% in 2017, compared to 11.3% in 2016. The performance of the fixed income portfolio declined slightly to 14.3% in 2017 from 14.5% in 2016. The equities portfolio performance at 9.2% was significantly higher than the 0.4% gain in 2016. Real estate returned 6.4% in 2017, which is more than double the 2.6% returned the previous year 2016.

Table 4: Portfolio Return (Annual)

Asset Class	June 2015	June 2016	June 2017
Fixed Income	14.1%	14.5%	14.3%
Equities	39.8%	0.4%	9.2%
Real Estate	2.3%	2.6%	6.4%
Total	16.4%	11.3%	12.9%

Country Allocation

The exposure to regional securities slightly increased from 30.6% in 2016 to 31.1% in 2017. The country allocation for the entire portfolio is shown in Table 5 below. Most of the additions to the portfolio were in Kenya and Tanzania domiciled securities.

Table 5: Country Allocation

Country Allocation	June 2015	June 2016	June 2017
Uganda	73.4%	69.5%	68.9%
Kenya	23.5%	26.3%	23.8%
Tanzania	1.8%	3.0%	6.5%
Rwanda	1.3%	1.2%	0.8%
Total	100.0%	100.0%	100.0%

Fixed Income Portfolio

The assets under management in the fixed income portfolio increased by 21.4% in 2017 to Ushs 6,000 Billion compared to Ushs 4,940 Billion in 2016. Interest Income from the fixed income investments portfolio amounted to Ushs 781.1 Billion, a growth of 18.6% from Ushs 658.8 Billion earned in 2016 as shown in the table below.

Table 6: The Fixed Income Portfolio (Ushs Billions)

Instrument	June 2015	June 2016	June 2017
Fixed Deposits	251	274	225
Treasury Bonds	3,701	4,501	5,657
Corporate Bonds	139	135	90
Corporate Loans	34	31	28
Total	4,125	4,940	6,000
Income	539.2	658.8	781.1
Return	14.1%	14.5%	14.3%
Portfolio Growth	17.0%	20.0%	21.4%
Income Growth	14.8%	22.2%	18.6%

Fixed Income Portfolio Performance

The fixed income portfolio returned 14.3% in 2017, a reduction of 20 basis points from 2016 return of 14.5%. This is attributed to the general decline in interest rates on interest earning assets since June 2016. There was also marginal currency gains as the Ushs depreciated against the Tshs and Kshs during the period.

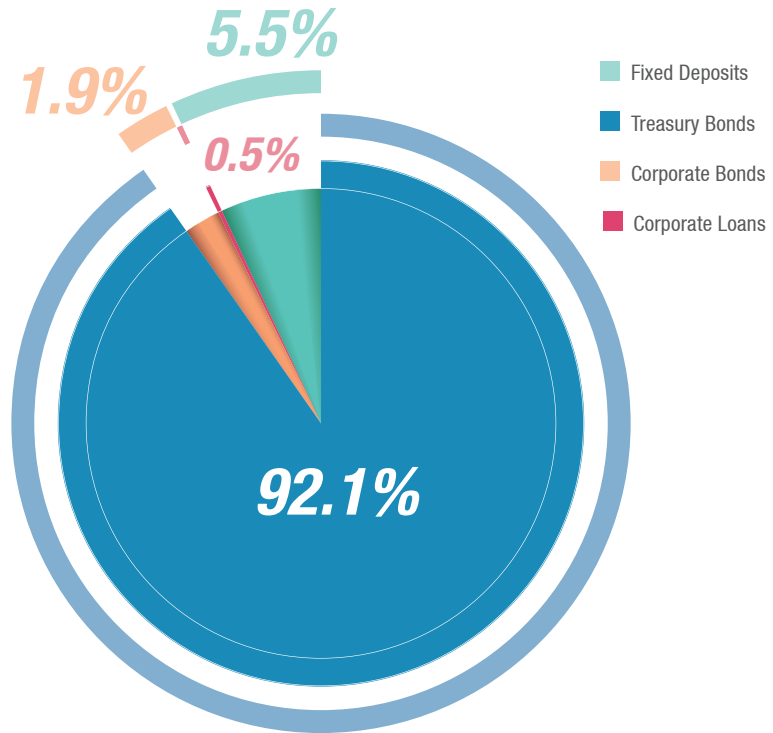
Fixed Income Portfolio Composition

The composition of the fixed income portfolio remained unchanged dominated by medium to longer-dated instruments. This is consistent with the Fund's strategy of matching its assets with liabilities.

At the end of 2017, the share of Treasury bonds in the fixed income portfolio was 94.3%, from 91.1% in 2016. The weight of fixed deposits closed at 3.7%, while the 2% is for corporate bonds and loans. Compared to 2016, the fixed income portfolio mix has undergone a fundamental change with Treasury bonds increasing significantly while short term fixed deposits declining.

There was reasonable regional activity in the fixed income space during the quarter to June 2017 with additions of tax free Government of Tanzania bonds worth Tshs 31.0 Billion which increased exposure to Tanzania treasuries to Tshs 286.8 Billion. Government of Kenya treasury and tax-exempt infrastructure bonds increasing by Kshs 4.8 Billion to Kshs 39.0 Billion. These still represent the highest duration instruments and major source of currency risk. Exposure to Rwandese Government bonds slightly increased to RWF 4.3 Billion during the quarter through coupon re-investment.

Fig. 7: Interest Income Distribution– June 2017



Source: NSSF

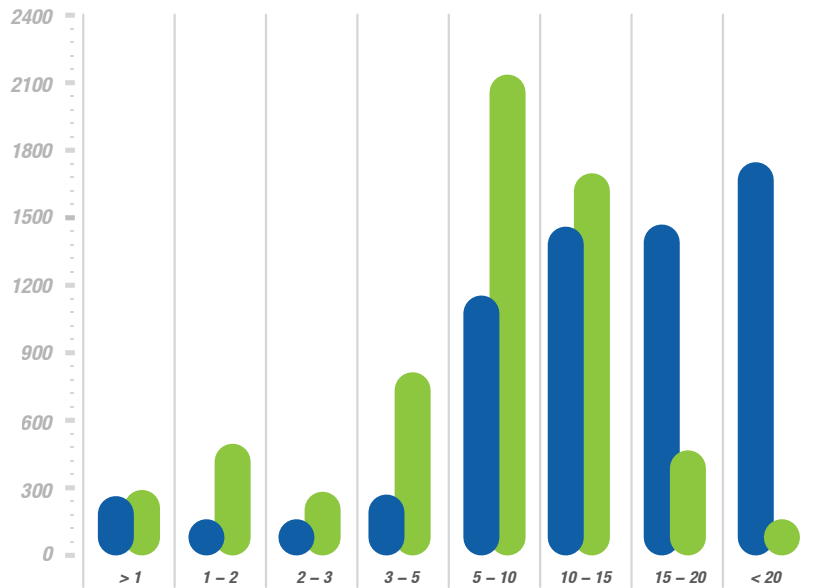
Fixed Income Portfolio Maturity Profile

Assets maturing between 5 – 10 years dominated the maturity structure of the fixed income portfolio. These represented 33.4% of the fixed income assets. Major additions during the year to fixed income portfolio have durations from 5 – 15 years, accounting for 60.1% at June 2017 compared to 56.4% at Jun 2016. Exposure to assets above 15 years slightly increased from 5.1% to 9.6%, in a bid to match the members’ liability profile. From Fig. 8, there is a clear mismatch between the maturity profiles of the assets and member liabilities.

Fig. 8: Fixed Income Portfolio–Active Member Balance Maturity Profile

Key

- Member Balance
- Fixed Income Assets



Fixed Income Portfolio Duration

Duration estimates the sensitivity of an asset to changes in interest rates. Higher duration implies higher sensitivity to interest risk. Duration can be approximated by the remaining life of an asset. In simple terms, duration represents the average life of the portfolio. The higher the duration, the larger the average time to maturity of assets.

The duration of the fixed income portfolio averaged 4.25 years at the end of the financial year 30th June 2017. New additions to the portfolio only slightly increased the portfolio duration.

Table 7: The Fixed Income Portfolio Duration

Instrument	Jun 2015 (Yrs)	Jun 2016 (Yrs)	Jun 2017 (Yrs)
Treasury Bonds	4.26	4.17	4.25
Corporate Bonds	4.58	3.77	3.94
Corporate Loans	3.88	3.35	2.11
Average	4.06	4.15	4.25

Regional Bond Market

All regional central banks have reduced their Central Bank Rate and re-discount rates, resulting in a parallel downward shift in yields across entire yield spectrum. By the end of June 2017, Tanzania experienced the greatest impact of a fall in interest rates across the entire yield curve.

This was in response to central bank reducing the re-discount rate coupled with the big appetite from Tanzania pension schemes. In Uganda, the Central Bank Rate has reduced by 500 basis points during the year. The short end of the yield curve was the most impacted. In Kenya, real yields at the short end of the yield curve are negative because of CBK reducing its Central Bank Rate amidst increasing inflation. The interest rate cap in Kenya, is forcing the yield curve to flatten. Generally, all regional central banks' objective is to revive the slowing growth in private sector credit and economic growth.

A cumulative total of Ushs 1.627 Trillion was held in the Kenyan, Tanzanian and Rwandese bond markets in the period. Participation in long-term Government bonds has allowed the Fund an avenue to extend the overall duration of the fixed income portfolio.

In addition, the favorable tax treatment in Kenya (withholding tax rate is 10% for securities with maturities above 10 years and tax exemption for infrastructure bonds) and Tanzania tax-free bonds compared to Uganda's 20% and higher coupons for long-dated securities makes this avenue an attractive proposition for the Fund. At the end of the quarter to June 2017, allocation to the regional bond market stood at 27.0% of the fixed income portfolio and 21.6% of the total portfolio. This is 1.6% higher than the desired exposure of 20%.

Looking Ahead (Fixed Income)

We maintain our view that monetary policy makers across East Africa will maintain a more dovish stance in 2018. Concerns of low growth continue to dominate monetary policy decisions and the risk of rising inflation is deemed relatively low in the short to medium term. Currencies to remain stable.



The future belongs to those who believe in saving for retirement

Equity Portfolio

Activity Highlights during the Period

The USE Local share index declined slightly by 4.3% closing the year to June 2017 at Ushs 370.5. Nation Media Group was the biggest loser shedding 26.6% to close at Ushs 3,700 while the other large caps, BAT Uganda and Stabic Bank Uganda (SBU) remained relatively flat. In addition, the ALSI declined by 1.7% at the end of the financial year attributed to declines in Bank of Baroda (23.9%), Uganda Clays Limited (–20%) and UMEME (–15.2%). These include large caps like EABL (14.1%), Equity Bank (15.4%) and KCB (12.2%)

Table 8: Price Performance

Security	June 2016	June 2017	% Change
Bank of Baroda	142	108	–23.9%
BAT Uganda	30,000	30,000	0.0%
Centum	1,456	1,426	–2.0%
DFCU	800	759	–5.1%
EABL	9,697	8,991	–7.3%
Equity Bank	1,279	1,314	2.7%
Jubilee Holdings	15,293	14,869	–2.8%
KCB	1,134	1,297	14.4%
Kenya Airways	141	182	28.8%
Nation Media Group	5,042	3,700	–26.6%
National Insurance Company	12	12	0.0%
New Vision Limited	555	539	–2.9%
Stanbic Bank	26	27	3.8%
Uganda Clays	15	12	–20.0%
UMEME	501	425	–15.2%
USE ALSI	1,706.8	1,677.90	–1.7%
USE LCI	387.3	370.5	–4.3%

In Kenya, the NASI recorded healthy gains of 8.7% closing at 152.9 (June 2017) against 140.6 (June 2016). The surge was led by notable counters like Safaricom (27.8%) and KCB (11.9%). We attribute this to lower Price Book (P/B) ratios on the banks, increased non–interest revenues and a positive outlook to the Kenyan elections. Safaricom stock declined earlier in the year due to speculation regarding splitting the company and this led to its price dropping to a 52–week low of 18. However, positive sentiments from the regulator and attractive dividend announcements aided a recovery of the stock to close the year to June 2017 at Kshs 22.75.

The market in Tanzania lost 1.7% in local currency terms during the period to June 2017 with the large counters namely, Tanzania Breweries and Tanzania Portland Cement declining by 2.5% and 24.7% respectively.

In Rwanda, the market declined by 4% and the volumes subdued with Bank of Kigali declining by 12.5% to close at RWF 245 by June 2017.

Table 9: Listed Securities in NSSF Internal Portfolio

Security	Jun 2016	Jun 2017	% change
Bank of Baroda	142	108	-23.9%
Centum	1,456	1,426	-2.1%
DFCU	800	759	-5.1%
New Vision Limited	555	539	-2.9%
Safaricom (KShs)	17.8	22.75	27.8%
Stanbic Bank	26	27	3.8%
Uganda Clays	15	12	-20.0%
Tanzania Portland Cement	2,390	1,800	-24.7%
UMEME	500	425	-15.0%
KCB (KShs)	33.75	37.75	11.9%
Equity (KShs)	38.5	37.75	-1.9%
Bank of Kigali (RWF)	280	245	-12.5%
Britam(KShs)	14.2	12.65	-10.9%
Kenya Re(KShs)	19.5	20.75	6.4%
Tanzania Breweries (TZS)	13,742	13,400	-2.5%
East African Breweries (KShs)	278	259	-6.8%

Source: NSSF Data

The period under review saw strong gains in the financial, breweries and telecom sectors that had double digit returns driven by attractive dividends and positive political sentiment.

We however saw a decline in utilities namely, UMEME due to reasons relating to cash flow mismatches. In addition, the high competition and decline of top line revenues for cement companies drove prices lower in the year.

A review of the Top 5 positions showed a slight gain compared to the previous year where the top 5 accounted for 61% (current year at 62.2%). This gain is largely due to Safaricom and EABL gains while UMEME lost its top slot to Safaricom attributed to its 13% price decline and Safaricom 26% price gain.

Table 10: Top internal equity portfolio holding

Counter	% of internal Equity Portfolio – June 2017
Safaricom (KShs)	16.7%
UMEME	14.0%
Equity (KShs)	10.7%
Tanzania Breweries (TZS)	10.5%
East African Breweries (KShs)	10.3%
Total	62.2%

Source: NSSF Data

Equity Portfolio Performance

The Fund's equity portfolio is managed in-house and by Fund Managers. At June 2017, Sanlam Investments East Africa Limited and GenAfrica were our Fund Managers with aggregate portfolio closing at Ushs 88.4 Billion, up from Ushs 84.8 Billion, in 2016. The in-house portfolio remained flat at Ushs 900 Billion, as at 2017, after transferring UMEME to associates.

The Fund portfolio in associates closed at Ushs 266.5 Billion, 232% up from Ushs 80.3 Billion in 2016. The investee companies include; Housing Finance Bank, TPS Serena, Uganda Clays Limited and lately UMEME Limited. The Fund increased its holding in UMEME Limited to 23.2% in November 2016 and has a representation on the UMEME Limited board hence a change from equity investments at fair value through profit and loss to investments accounted for under the equity method.

During the year 2017, the equity portfolio (including that managed by the two Funds Managers) posted a holding period return of 9.2% relative to 0.4% during the previous year (Refer to Table 4). The good performance is largely attributed to the price recovery specifically in the Kenyan Market. The gross dividend income recorded as at 2017 amounted to Ushs 52.3 Billion, compared to Ushs 37.7 Billion in the previous year 2016.

The total portfolio value closed at Ushs 1.255 Billion (June 2016 – Ushs 1.067 Billion). This is largely attributable to price gains in the Kenyan portfolio with four of the Top 5 posting double-digit returns.

Fund Managers Performance Comparison

During the year to June 2017, the benchmark Uganda and Kenya market indices returned –4.3% and 8.8% respectively, resulting in performance benchmarks of –3.3% and 10.8% respectively. The table below summarizes the applicable benchmarks.

Table 11: Fund Manager Performance Benchmarks

Asset Class	Benchmark1	June 2017 Index Return (%)	Performance Benchmark (%)
USE Equities	USE LCI+1%	–4.3%	–3.3%
NSE Equities	NASI* + 2%	8.8%	10.8%

* Index returns adjusted to Ushs terms

Note: The USE LCI is used for performance analysis in place of the USE ALSI currently specified in the investment policy. The USE LCI tracks market cap changes for only domestic stocks unlike the ALSI which tracks the overall market.

Table 12: Sanlam Investments – June 2017

By Country	Performance Benchmark	June 2017 Return (%)	Out Performance/ Under performance (%)
Uganda Equities	–3.3%	–2.2%	1.1%
Kenya Equities	10.8%	11.2%	0.4%
Tanzania Equities	–10.7%	–3.1%	7.6%

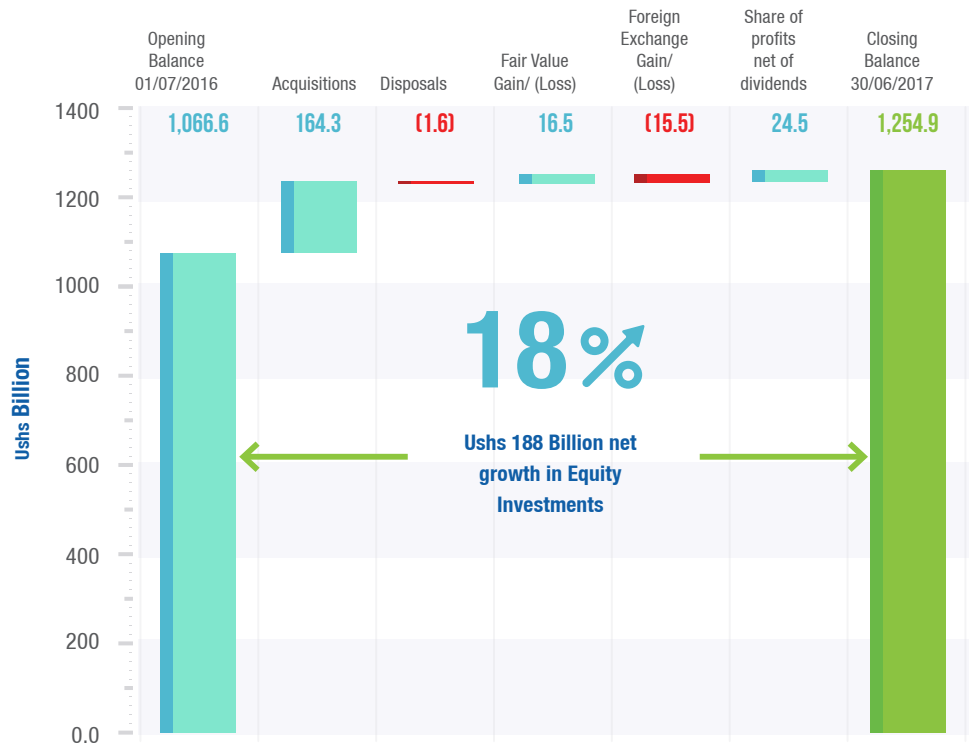
Sanlam allocations to the various markets were 70% in Kenya, 13% in Uganda and 13% in Tanzania.

Table 13: GenAfrica – June 2017

By Country	Performance Benchmark	June 2017 Return (%)	Out Performance/ Under performance (%)
Uganda Equities	-3.3%	-1.1%	2.2%
Kenya Equities	10.8%	24.3%	13.5%

GenAfrica’s allocations to the various markets were 80% in Kenya and 18% in Uganda.

Fig. 9: Highlights for Performance of shares and Holdings for the period ending June 2017



Source: NSSF Data

Looking ahead (Equity)

Increased appetite in equities

Following the continued decline in interest rates and CBR, we expect monetary policy to remain expansionary to spur economic growth and drive private sector credit growth. As a result we believe investors will look to re-allocate investments from fixed income towards Equities and alternative assets.

We expect earnings across the region to remain subdued as Banks face elevated non-performing assets signaling sluggish activity in the region.

Equity Portfolio as at June 2017



Holding:

2%
Ushs 5.4 Billion

Dividend Income:

Ushs 124.9 Million

Sector: Banking

NSSF has a shareholding of 2% in Bank of Baroda (Uganda) Ltd worth Ushs 5.4 Billion as at 30th June 2017. The bank paid NSSF dividends of Ushs 124.9 Million during the period under review. The bank is listed on the Uganda Securities Exchange.



Holding:

6.32%
Ushs 44.6 Billion

Dividend Income:

Ushs 2.2 Billion

Sector: Banking

NSSF has a shareholding of 6.32% in Bank of Kigali worth Ushs 44.6 Billion as at 30th June 2017. The bank paid NSSF dividends of Ushs 2.2 Billion during the period under review. The Bank is listed on the Rwanda Stock Exchange.



Holding:

2.03%
Ushs 17.3 Billion

Dividend Income:

Ushs 432 Million

Sector: Insurance

NSSF has a shareholding of 2.03% in Britam worth Ushs 17.3 Billion as at 30th June 2017. Britam paid NSSF dividends of Ushs 432 Million during the period under review. British-American Investments Company (Britam), is a diversified financial services group and is listed on the Nairobi Securities Exchange.



Holding:

0.73%
Ushs 6.3 Billion

Dividend Income:

Ushs 135.8 Million

Sector: Finance

NSSF has a shareholding of 0.73% in Centum, East Africa's leading investment company, worth Ushs 6.3 Billion as at 30th June 2017. Centum paid NSSF dividends of Ushs 135.8 Million during the period under review. The company is listed on the Nairobi Securities Exchange and Uganda Securities Exchange.



Holding:

5.93%
Ushs 22.4 Billion

Dividend Income:

Ushs 742.8 Million

Sector: Banking

NSSF has a shareholding of 5.93% in the Development Finance Company of Uganda Bank Limited, commonly known as DFCU Bank, worth Ushs 22.4 Billion as at 30th June 2017. DFCU Bank paid NSSF dividends of Ushs 742.8 Million during the period under review. The company is listed on the Uganda Securities Exchange.



Holding:

1.64%
Ushs 116.9 Billion

Dividend Income:

Ushs 3.3 Billion

Sector: Manufacturing

NSSF has a shareholding of 1.64% in East African Breweries Limited (EABL) worth Ushs 116.9 Billion as at 30th June 2017. EABL paid NSSF dividends of Ushs 3.3 Billion during the period under review. The company is listed on the Nairobi Securities Exchange.



Holding:

2.50%
Ushs 121.3 Billion

Dividend Income:

Ushs 6.4 Billion

Sector: Banking

NSSF has a shareholding of 2.50% in Equity Bank Limited worth Ushs 121.3 Billion as at 30th June 2017. Equity Bank Limited paid NSSF dividends of Ushs 6.4 Billion during the period under review. The company is listed on the Nairobi Securities Exchange and Uganda Securities Exchange.



Holding:

50%
Ushs 66 Billion

Dividend Income & Share of Profits:

Ushs 15.8 Billion

Sector: Banking

NSSF has a shareholding of 50% in Housing Finance Bank Limited worth Ushs 66 Billion as at 30th June 2017. Our share of profit in Housing Finance Bank Limited was Ushs 10.4 Billion. In addition, Housing Finance Bank Limited also paid dividends of Ushs 5.4 Billion during the period under review.



Holding:

2.05%
Ushs 82.2 Billion

Dividend Income:

Ushs 6.5 Billion

Sector: Banking

NSSF has a shareholding of 2.05% in KCB worth Ushs 82.2 Billion as at 30th June 2017. The bank paid NSSF dividends of Ushs 6.5 Billion during the period under review. The Bank is listed on the Nairobi Securities Exchange.



Holding:

0.48%
Ushs 2.4 Billion

Dividend Income:

Nil

Sector: Insurance

NSSF has a shareholding of 0.48% in Kenya Reinsurance Corporation Limited (Kenya Re) worth Ushs 2.4 Billion as at 30th June 2017. There were no dividends paid during the year. The company is listed on the Nairobi Securities Exchange.



Holding:

0.6%
Ushs 189.8 Billion

Dividend Income:

Ushs 13.6 Billion

Sector: Telecommunications

NSSF has a shareholding of 0.6% in Safaricom worth Ushs 189.8 Billion as at 30th June 2017. The company paid NSSF dividends of Ushs 13.6 Billion during the year. The company is listed on the Nairobi Securities Exchange.



Holding:

2.05%
Ushs 36 Billion

Dividend Income:

Ushs 1.5 Billion

Sector: Banking

NSSF has a shareholding of 2.05% in Stanbic Bank (Uganda) Ltd worth Ushs 36 Billion as at 30th June 2017. The bank paid NSSF dividends of Ushs 1.5 Billion during the period under review. The bank is listed on the Uganda Securities Exchange.



Holding:

1.19%

Ushs 118.5 Billion

Dividend Income:

Ushs 5.9 Billion

Sector: Manufacturing

NSSF has a shareholding of 1.19% in Tanzania Breweries Limited worth Ushs 118.5 Billion as at 30th June 2017. Tanzania Breweries Limited paid NSSF dividends of Ushs 5.9 Billion during the period under review. The company is listed on the Dar es Salaam Stock Exchange.



Holding:

3.77%

Ushs 100.6 Billion

Dividend Income:

Ushs 3.1 Billion

Sector: Banking

NSSF has a shareholding of 3.77% in the Trade & Development Bank (TDB) worth Ushs 100.6 Billion as at 30th June 2017. TDB paid NSSF dividends worth Ushs 3.1 Billion during the period under review.

TPS

Holding:

13.99%

Ushs 7.9 Billion

Dividend Income & Share of Profits:

Ushs 2.3 Billion

Sector: Hospitality

NSSF has a shareholding of 13.99% in TPS Eastern Africa Limited (TPS Eastern), a hospitality company that operates hotel and lodge facilities in Eastern Africa, worth Ushs 7.9 Billion as at 30th June 2017. Our share of profit in TPS Eastern Africa Limited was Ushs 1.2 Billion. In addition, TPS Eastern Africa Limited also paid dividends of Ushs 1.1 Billion during the period under review. The company is listed on the Nairobi Securities Exchange.



Holding:

5%

Ushs 26.1 Billion

Dividend Income:

Ushs 3.3 Billion

Sector: Manufacturing

NSSF has a shareholding of 5% in Tanzania Portland Cement Company Limited (TPCC) worth Ushs 26.1 Billion as at 30th June 2017. TPCC paid NSSF dividends of Ushs 3.3 Billion during the period under review. The company is listed on the Dar es Salaam Stock Exchange.



Uganda Clays Ltd

Holding:

32.52%

Ushs 12.2 Billion

Dividend Income & Share of Profits:

Ushs 1.36 Billion

Sector: Manufacturing

NSSF has a shareholding of 32.52% in Uganda Clays Ltd worth Ushs 12.2 Billion as at 30th June 2017. Our share of profit in Uganda Clays Limited was Ushs 1.1 Billion. In addition, Uganda Clays Limited also paid dividends of Ushs 292.6 million during the period under review. The company is listed on the Uganda Securities Exchange.



UMEME

Holding:

23.2%

Ushs 180.5 Billion

Dividend Income & Share of Profits:

Ushs 19 Billion

Sector: Utilities

NSSF has a shareholding of 23.2% in Umeme Ltd worth Ushs. 180.5 Billion as at 30th June 2017. Our share of profit in Umeme Ltd was Ushs. 12 Billion. In addition, Umeme Limited also paid dividends of Ushs. 7 Billion during the period under review. The company is listed on the Uganda Securities Exchange.

VISION GROUP
NATIONAL PRIDE • GLOBAL EXCELLENCE

Holding:

19.61%

Ushs 8.1 Billion

Dividend Income:

Ushs 750 Million

Sector: Media

NSSF has a shareholding of 19.61% in the Vision Group incorporated as New Vision Printing & Publishing Company Limited (NVPPCL) worth Ushs 8.1 Billion as at 30th June 2017. New Vision Printing & Publishing Company Limited paid NSSF dividends of Ushs 750 million during the period under review. The company is listed on the Uganda Securities Exchange.



yield uganda
investment fund

Holding:

16.7%

Ushs 2.1 Billion

Sector: Agriculture

NSSF invested Ushs 2.1 Billion in the Yield Uganda Investment fund. This €12 Million Fund invests in Small & Growing Agribusinesses (SGAs) positioned in agricultural supply chains in Uganda.

Real Estate Portfolio

The real estate portfolio comprises of the income-generating and non-income generating assets. The composition of the real estate portfolio for the past four (4) years is indicated below:

Table 14: Real Estate Portfolio

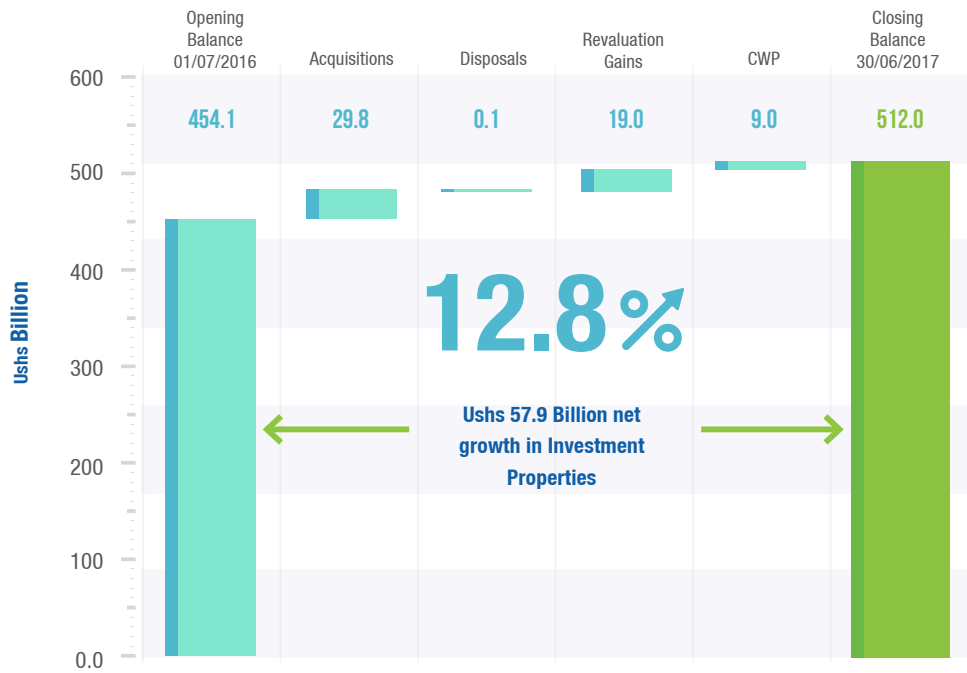
Investment properties	Valuation at 30 June 14	Valuation at 30 June 15	Valuation at 30 June 16	Valuation at 30 June 17
Properties	Ushs Billion	Ushs Billion	Ushs Billion	Ushs Billion
Workers House	54.50	56.25	56.00	58.00
Plot 5 Mvule Rd Naguru	1.80	1.80	2.00	2.00
Land on Yusuf Lule Road	19.00	19.00	19.00	20.00
Independence Ave Arua	0.15	0.15	0.17	0.17
Land in Kisugu	0.20	0.20	0.25	0.25
Land in Kabale	0.23	0.23	0.23	0.23
Land in Jinja	0.56	0.56	–	–
Land in Tororo	0.19	0.19	0.17	0.20
Lumumba Avenue	62.39	–	–	–
Social Security House	26.00	26.00	29.00	30.00
Mbuya Property M65	3.10	–	–	–
Land in Mbuya	1.80	1.80	–	–
Land in Busiro Temangalo	15.60	21.50	24.13	26.54
Nsimbe Land	–	–	–	42.42
Plot 16 Nakasero Rd (FRV 304)	8.20	8.20	8.40	8.40
Sub Total	193.71	135.87	139.35	188.21
Capital Works in Progress	June 2014 Ushs 000	June 2015 Ushs 000	June 2016 Ushs 000	June 2017 Ushs 000
Lubowa	249.65	243.92	245.08	245.25
Lumumba	–	64.45	65.39	66.36
Mbuya	–	–	1.85	7.24
Jinja	–	–	1.13	2.20
Mbarara	–	–	–	1.43
Others	0.60	0.54	1.36	1.35
Sub Total	250.24	308.91	314.80	323.83
Grand Total	443.95	444.78	454.14	512.04

The entire real estate portfolio (including non income generating assets) yielded 6.4% during the financial year to June 2017, higher than the 2.6% of the financial year to June 2016. This return is mainly attributed to the capital gains as a result of a revaluation exercise done by Ridgeline in June 2017 and the recovery of write off from Nsimbe Land. The capital gains were approximately Ushs 19 Billion.

The Fund currently has only four income-generating properties namely; Workers House, Social Security House, Mvule Naguru and Yusuf Lule Land (currently rented out as a parking area).

Fig. 10 indicates the build-up of the investment properties (including the capital works in progress) for the financial year ended June 2017.

Fig. 10: The Build-Up of Investment Properties for the Financial Year ended June 2017



Real Estate Market Brief.

Office sub-sector.

According to the 2017 Knight Frank half year report, there has been a slight increase in office take up for Grade A / AB office space. Knight Frank research has registered an increment of 8% year on year growth in occupancy rates for Grade A/AB buildings in Kampala from 80% registered in the first half of the year (H1) 2016 to 88% in first half of the year (H1) 2017.

Approximately 16,000 m2 of prime commercial Grade A/AB office space has been leased during H1 of 2017 in Kampala. Office take up has been driven, by inquiries which rolled over from the second half of the year (H2) 2016, and is coming from government ministries, departments & agencies who are relocating to better quality space, the oil and gas sector who are taking up some of the space they relinquished 2 years ago, professional services (lawyers, accountants etc), the medical/pharmaceutical as well as insurance sectors all accounting for approximately 65%, who are moving from older buildings to more modern space.

Tenants are still driving hard bargains in rent, and other lease terms, but the better quality buildings have held their rental and occupancy rates. The new properties which were completed 2 – 3 years ago and had heavily discounted their rental rates to attract tenants are now full or filling up and have incorporated escalations to allow them attain market rentals in the near future.

The comparative advantages for properties which are attracting tenants and or maintaining high occupancy rates, are intelligent buildings which are energy efficient with adequate parking space, usually out of the core CBD areas, i.e. North East of Kampala Road towards Yusuf Lule Road, Kololo and Lugogo By-Pass. However, the ongoing road network improvement by way of the Kampala flyover construction and Road upgrading Project (KFCRUP) by UNRA, will change the dynamics of the city immensely, with regards to accessibility, and ease of movement.

This will redefine the location parameters for commercial property developers and occupiers. Yields for Grade A office space have remained stable between 10% – 11%, and asking rentals are between US \$15– US \$17 per m2 per month while grade B office rentals are averaging between US \$9 – US \$12 per m2 per month.

Development opportunities in the “built to suit niche” for multinational companies and other global and regional agencies continue to grow, as the emphasis on efficient Corporate Real Estate Services continue to take priority in most of these international organizations.

With the anticipated oil production preparatory activities taking shape and conclusion of the Front End Engineering Design (FEED) of the oil refinery, the commercial office space outlook for the next three years looks optimistic against a backdrop of renewed interest by the Oil and Gas companies. This is likely to positively impact the demand for prime office space in the medium to long term.

Table 15: Prime Office Rentals

Property Type	Rate (@\$ sqm)
Grade A	\$15 – \$17
Grade AB	\$13 – \$15
Grade B	\$9 – \$12

Source: Knight Frank Uganda

Retail Sub-sector.

In the first half of 2017, the retail sector experienced a slowdown in leasing activity due to the negative outlook from local media which in turn generated a lack of consumer and business confidence in this sector. The slowdown of growth in the local economy and the hangover from the escalated conflict in South Sudan has all made for a trying retail trading performance during this period.

Confidence in this sector was further dampened by the challenges of Nakumatt, East Africa’s largest retailer by size, number of stores and area occupied. These challenges resulted in substantial financial liabilities to banks, suppliers and landlords alike. Major suppliers stopped supplying them towards the end of 2016, which led to further losses for the group, increased debts and loss of market share due to empty shelves from lack of stock in the stores.

With regards to the development pipeline, the retail sector has been boosted by the formal announcement of The Arena Mall, a 14,000m² convenience, fashion and leisure mall to be built in Nsambya. The development by Chestnut Uganda limited will open for trade in the first quarter of 2019.

Table 16: Prime Retail Rental rates

Size	Rental Charge
<10m ²	\$185
<50m ²	\$45
<100m ²	\$25
<500m ²	\$22.5
<500m ²	\$10

Source: Knight Frank Report, January 2017

* The figures in Table 16 are average rentals for ground floor space in Kampala shopping Malls but do not take shop front to depth ratios into account and exclude service charge.

Residential Sub-sector.

There has been an increase in the supply of prime residential stock for rent on the market over the past 12 months. This supply is in the prime suburbs of Kololo, Nakasero Bugolobi, and Naguru. Kololo and Nakasero is seeing increasing redevelopment of old residential plots of between 0.50 – 1.00 acres, in line with the zoning regulations of these locations. Most of these residential developments are 2, 3 and 4 bedroom apartments, all rooms en-suite, and some with a house-help's room. Additionally, swimming pools, gyms, and children's play areas have become standard facilities provided at the new residential developments.

Sales transactions registered are still not at the pace they were at 2 – 3 years ago. We are seeing numerous inquiries for houses in the Ushs350 Million – Ushs650 Million price range, but very few follow through to conclusion after the mortgage application stage. Potential purchasers are citing unaffordable interest rates when they go through with the loan application process.

Buyers are taking advantage of the “slow-down” in the performance of the residential sector over the past 24 – 36 months, and are driving hard bargains with a view to paying highly discounted prices for properties. However, vendors are also holding on for as long as they can in the hope that they will get an acceptable price before they are forced to sale.

Lastly the period January – June 2017 has seen Buganda Kingdom launch a campaign to issue a special lease called “Kyapa mu ngalo”, loosely translated as “a title in your hands” to all tenants on Buganda kingdom owned land. Information from Buganda Land Board reveals that the proposed lease agreements will incorporate an automatic renewal clause in the lease after the expiry of 49 years, and gives lessees an option of reverting back to kibanja holding if they fail to renew their lease.

Table 17: Prime Residential Rentals and prices

Description	Rental charge	Sales
5 bed furnished detached houses on 1.00 acre plots	\$3,500 – \$4,500	\$1.8 – \$2.0 M
4 bed furnished detached houses on between 0.2 – 0.5 acre plots	\$3,000 – \$4,000	\$1.2 – \$1.8 M
3 bed furnished town houses (in gated community)	\$3,000 – \$3,500	\$350k – \$375k
3 bed serviced apartments	\$2,000 – \$2,500	\$300k – \$350k
2 bed serviced apartments	\$1,500 – \$2,250	\$200k – \$250k

Source: Knight Frank Report, June 2017

Real Estate Competition Watch

The real estate market continues to witness competing developments to our proposed Pension Towers, Lubowa, Temangalo and Mbuya II housing projects. These include the planned Nakawa Naguru Housing Estate with a planned 2000 Housing Units, the proposed Centum project in Entebbe, and the 104 National Housing flats in Bugolobi, which are almost complete. These pose the biggest threat to our planned projects. Below is a table showing different projects in the works that pose this threat.

Table 18: Different ongoing projects

Development	Type	Location	No. of Units
Speke Apartments	Apartment	Wampewo Avenue	75
Ssanga Apartments	Apartment	Nakasero	28
Cananze Construction	Apartment	Kanjokya	12
Property Services	Apartment	Mulago	15
Dashen Limited	Maisonettes	Luzira	16
NHCC	Apartment	Lubowa	300
Centum Investments	Mixed Development	Garuga Entebbe	Over 500
HL Investments	Apartment	Naalya	160 units
Alpine Coolers	Maisonettes & Apartments	Munyonyo	Over 50
Opec Prime properties	Maisonettes & Apartments	Nakawa Naguru	Over 100
Pine Estate	Apartment & Bungalows	Kiira	Over 400

Source: Knight Frank Uganda, July 2016

Real Estate Strategy and Status of the current projects

The real estate portfolio currently stands at 6.6% of the Fund's total assets under management. The Fund's strategic asset allocation gives an optimal allocation of 5.0%.

The overall strategy of the Fund's real estate projects is to become cost leaders in the industry by offering competitive prices in well-planned neighborhoods. This can be achieved through leveraging economies of scale and marketing/ sale of NSSF housing projects as a unique and complete life style, along with innovative approaches such as the off-taker concept.

The Fund has a number of projects in the pipeline and their current status follows.

Selected Project status from our Real Estate Portfolio

*Plot 2- 4
Lubas Road, Jinja*

1,500sq. m
of office and retail space



*Project Status:
The Jinja Mixed Project
building is slated for
completion in March 2018*

NSSF Jinja Mixed Project.

A proposed mixed development project in the heart of Jinja town on plot 2 Lubas Road, is a commercial building that is being constructed on 1500sqm of land on one of Uganda's largest towns.

The progress so far.

Construction is ongoing with the estimated completion date being the end of March 2018. Presently, the Fund is in advanced talks for letting the space; with a restaurant, bank and pharmaceutical showing interest.

*Plot 13 Ismael Rd. / Plot 2– 2A Nadiope Rd.
Mbuya, Kampala*

3 bedrooms **2** bathrooms
plus a servants quarters per apartment



NSSF Mbuya 2 Project.

The Mbuya Soho courts is a proposed project on plot 11 Ismael Rise, 13 Ismael Road, 2 & 2A Nadiope Road, Mbuya, a Kampala suburb. The houses are set to be affordable first class residential apartments. The project will contribute to reducing the housing deficit in Kampala city.

The progress so far.

Construction is ongoing estimated at approximately 85% complete. All the four (4) blocks are currently at the finishing level. Estimated time of completion is June 2018. Pre sales are currently underway, with approximately 30% of the apartments booked in just over 6 months.

Project Status:
The Mbuya 2 Project is still a Work-In-Progress, but is nearing completion

Plot 6
Galt Road, Mbarara

1,200sq. m
of office and retail space

Project Status:
The Mixed-use Project
building is still a
work-in-progress



NSSF Mbarara Mixed – Use Development

A proposed modern Retail and office complex comprising four (4) floor with a total built-up area of approximately 1,500m². The retail and office space on offer is approximately 1,200m².

The development was envisioned as a modern building identifying with NSSF as a brand. It will have parking capacity of up to 40 surface spaces. The critical goal is to incorporate a modern, holistic, integrated facility that will attract maximum tenancy occupation targets.

The progress so far.

Construction works have commenced with the contractor currently on site. Estimated time of completion is March 2019.



An artistic impression of what the Mbarara Mixed Development Project will look like when its completed

Evolving with You

in Legal Affairs



The Legal and Board Affairs' primary mandate is to proactively manage the Fund's legal risk by providing legal solutions to facilitate the Fund's business.

As the Board Secretariat, the Function also has primary responsibility for coordinating, managing and supporting the Board's work Agenda.

The Department is operated on the norms of private legal practice to support timely and superior completion of various business transactions in which the Fund gets involved.

Our legal team gets actively involved in litigation to ensure that defaulting employers remit contributions due to the Fund and in turn to the member's accounts. The Team also offers advisory services regarding

claim and payment of member benefits and fund investments. Mindful of the recent developments and changes envisaged in the sector, the Legal Team has worked closely with the rest of the business to anticipate and work out possible changes to the legal and regulatory framework that would improve services and value to both our internal and external customers. The Fund has consequently drafted and submitted to the relevant policy makers proposed amendments to the NSSF Act.

The Cabinet of Uganda has broadly adopted most the amendment proposals, which include:

- i. Expanding social security coverage.
- ii. Enhancing efficiency and effectiveness in investment.
- iii. Providing for introduction of new benefits
- iv. Improving Governance of the NSSF

Richard Wabwire Wejuli
CORPORATION SECRETARY



“The Fund has consequently drafted and submitted to the relevant policy makers proposed amendments to the NSSF Act.”



Corporate Governance & Risk Management Report



NSSF Board of Directors having a light moment after a board meeting



*NSSF Head of Risk,
Edward Senyonjo*

Risk Management Report

At the Fund, we are cognizant of the fact that business objectives are set in an environment of uncertainty about the future outcomes. The effect of uncertainty, whether positive or negative, determines our success or otherwise.

We therefore, adopted an Enterprise Risk Management (ERM) model that assists us to identify and prioritize key risks across the entire organization so as to attain organization objectives, most important of which is creation and preservation of value for our members.

Because we cannot eliminate all risks, we accept certain risks in order to attain our strategic goals and objectives. The criteria for accepting risks and the extent to which we tolerate certain risks have been defined within our Risk Appetite Framework (RAF).

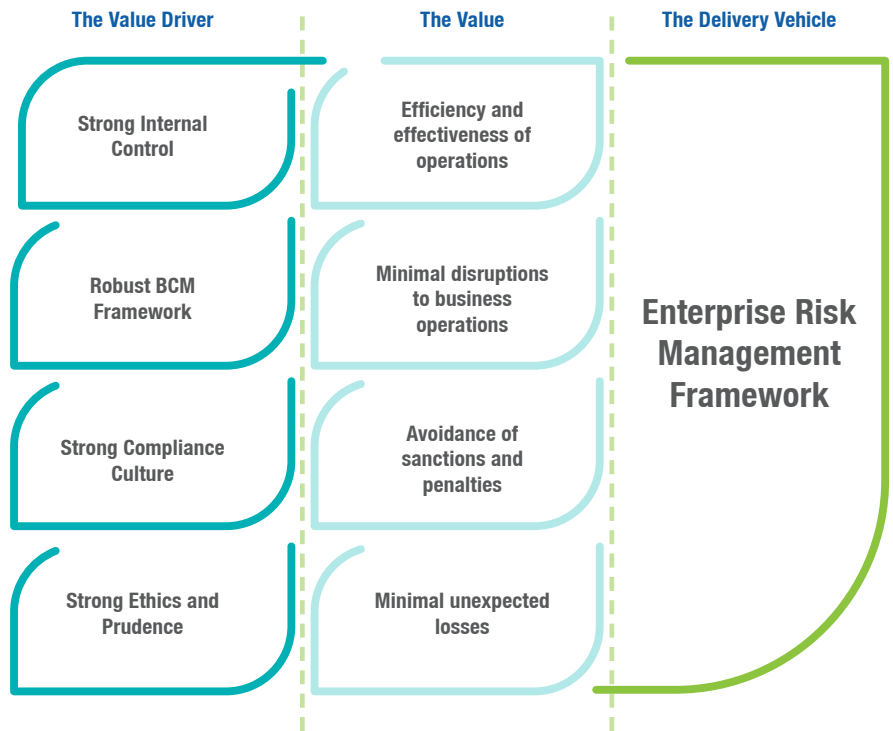
Our RAF defines the nature and the levels of risks that the Board considers acceptable in pursuit of business objectives, thus providing boundaries for prudent decision making that have resulted in a phenomenal increase in Fund assets by nearly 366% over a period of 7 years, from Ushs 1.7 Trillion in 2010 to Ushs 7.92 in 2017.

The Fund's ERM model comprises; the RAF, which is the overall approach, including policies, processes controls, and systems through which risk appetite is established, communicated, and monitored, the Risk Management Policy and Procedures Manual (RMPP), and the Business Continuity Management framework (BCM).

As alluded to in the foregoing paragraph, the BCM provides a framework for dealing with unanticipated events that could have a disastrous impact on the business. The framework provides mechanisms for safeguarding the Fund's business interests before, during and after a disaster.

The BCM framework has been subjected to rigorous tests every year and has been found to be effective; meaning that we are reasonably confident that the mechanisms we have put in place are robust and resilient enough to be able to restore business operations within the shortest time, and with minimal or no effect on the Fund's assets and people.

Risk Management Framework



Risk management structures

The Three Lines of Defense

The key feature of our risk management structure is the “Three Lines of Defense”, also known as the “Three Lines of Play”. The Three Lines of Defense operates on the principle of separation of roles; whereby the roles of risk-taking, risk monitoring and control, and risk assurance are separated, and played by the Business units/Operational management, the Risk management function and Internal Audit respectively.

Under the oversight and direction of the Board of Trustees, the three separate groups (or lines of defense) exist to ensure effective management of risk and control implementation and monitoring.

The separation of roles minimizes conflicts of interest and ensures effective checks and balance and increases the opportunity for the Board of Trustees to receive unbiased information about the Fund’s significant risks, and about how management is responding to those risks.

Fig. 1: Lines of defense

Key

- Operational Management
- Risk & Compliance
- Internal Audit



Although the three groups are separate, their overall objective is one, which is to create and preserve value for the members. Therefore, the three groups work coherently as a team to achieve that over-arching objective.

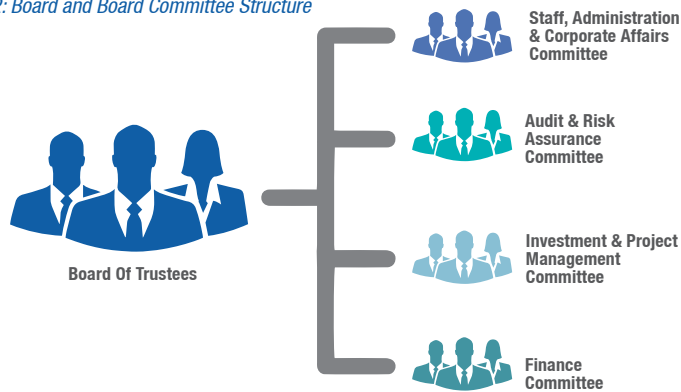
Board and Board Committees

The Board of Trustees has the ultimate responsibility for good corporate governance and risk management. The Board is assisted by four committees, which are, Audit and Risk Assurance Committee, the Investment and Project Management Committee, Finance Committee and Staff Administration and Corporate Affairs.

Each Committee has a responsibility to handle certain specific matters and make recommendations to the Board for the final decision.

However, the committee with the overall responsibility for risk management is the Audit and Risk Assurance Committee. Significant risks with a potential to undermine the strategic objective of the Fund are escalated to the Board through the Audit & Risk Assurance Committee by the Head of Risk.

Fig 2: Board and Board Committee Structure



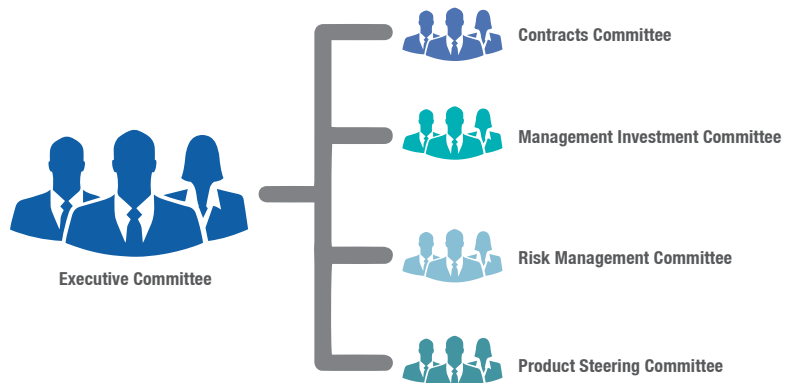
Executive management

Management is responsible for the day-to-day monitoring, assessment and controlling risk, as well as ensuring that controls are adequate and effective in mitigating existing and potential risks. The Head of Risk is the overall coordinator of risk management activities and provides expertise as regards to effective management of risks.

The Head of Risk prepares monthly risk reports that are shared with all Executive Management. A Risk Management Committee sits on a quarterly basis to discuss risk management reports presented by the Head of Risk.

The Heads of department are responsible and accountable for managing business activities within their departments, and have the primary responsibility of implementing the Board’s risk management policy, communicating, identifying and controlling risks inherent in the activities and processes.

Fig 3: Executive Committee Structure



Our risk management approach is a combination of both proactive and reactive measures. However, it is important to note that, by and large, our approach to risk management is proactive— see Table 1 below. Nonetheless, because of the inherent limitations of any system of internal control, we have built mechanisms to respond effectively to unpredictable events, as and when they happen.

Table 1: Risk Management Approach System

Approach	Features	Concentration of activities	Key activities
PROACTIVE	<ul style="list-style-type: none"> Objective–focused Uses predictive indicators Requires foresight Strategic Preventative 	80%	<ul style="list-style-type: none"> Risk planning Risk assessment of strategic initiatives Continuous risk & control assessment Risk monitoring and reporting Risk training and sensitization Business Continuity and Disaster Recovery tests Environmental analysis
REACTIVE	<ul style="list-style-type: none"> Event–focused Post–action response Transactional Recovery mechanism Corrective 	20%	<ul style="list-style-type: none"> Incident management Disaster recovery Crisis management

Alignment of Risk Management and Business Strategy

The purpose of a risk management framework is to assist the organization achieve its objectives. An alignment of the risk management strategy with the business strategy is therefore, a prerequisite for effective risk management.

At the Fund we take pride in our robust risk management framework which is aligned to the business strategy. The strategy formulation process encompasses an identification and assessment of potential risk exposures and development of mitigations strategies. This increases the chances of the Fund attaining its goals and objectives and limit variability of expected outcomes.

In addition to the traditional defensive role of risk management, we look at risk management as way of creating value for the Fund. This is driven by our fiduciary responsibility of preservation of members' value.

The strong internal control systems, the robust Business Continuity Management (BCM), the strong compliance culture and the strong ethical and prudent decision–making processes ensure efficient and effective business operations, minimize disruptions to business operations in face of a disaster, avoid penalties and sanctions, as well as minimizing unexpected losses. This consequently enhances the reputation of the Fund and builds a strong brand equity.

Table 2: Enterprise Risk Management Value-Addition

Value Driver	Organizational value
1. Strong internal control	Efficient and effective operations
2. Robust BCM framework	Minimal disruptions to business operations
3. Strong compliance culture	Avoidance of penalties and sanctions
4. Strong ethical values	Minimal unexpected losses

Risk Management Culture

The NSSF risk management culture is underpinned by the positive control environment, which involves awareness, attitude, actions and the operating philosophy of management and the Board.

The Board sets a clear tone for effective risk management and has set up appropriate structures, at both Board and management levels that are responsible for oversight and implementation of risk control activities respectively.

Strategic and operational initiatives as well as investments are subject to a rigorous risk assessment process before decisions are made. This does not only ensure preservation of member funds, it ensures growth of Fund assets.

Risk management is incorporated within the Fund’s performance management framework, with specific measures and targets.

The Risk Management Process

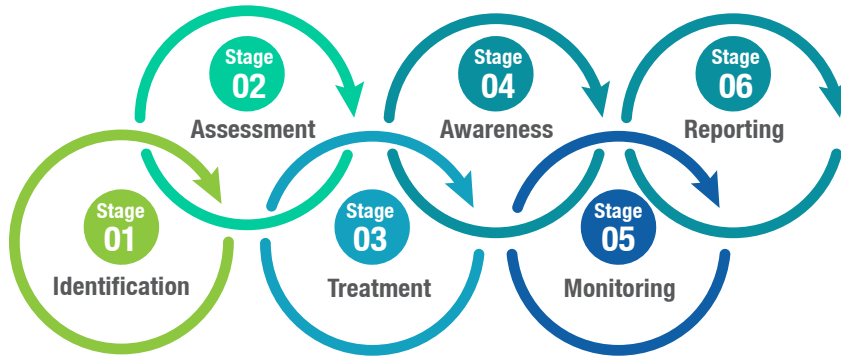


Table 3: The Fund's risk management process explained:

Stage	How we do it:
Risk identification	<ul style="list-style-type: none"> Brainstorming in facilitated workshops Reviewing and analysing potential risk exposures
Risk assessment	<ul style="list-style-type: none"> Assessment of likelihood and impact (financial & non-financial) Determination of risk severity for proper prioritization.
Risk treatment	<ul style="list-style-type: none"> We adopt the following strategies: (i) Reduce (ii) Transfer (iii) Accept (iv) Avoid
Risk awareness	<ul style="list-style-type: none"> This is achieved through continuous training and sensitization
Risk monitoring	<ul style="list-style-type: none"> This is attained through use of predictive risk indicators and incident
Risk reporting	<ul style="list-style-type: none"> Structures and systems are in place to ensure monitoring of risk and reporting at all levels of the Fund, periodically and hoc to both Management and Board committees

The NSSF Risk Environment

To ensure systematic and comprehensive identification and documentation risks facing the Fund, we categorise risks as follows:

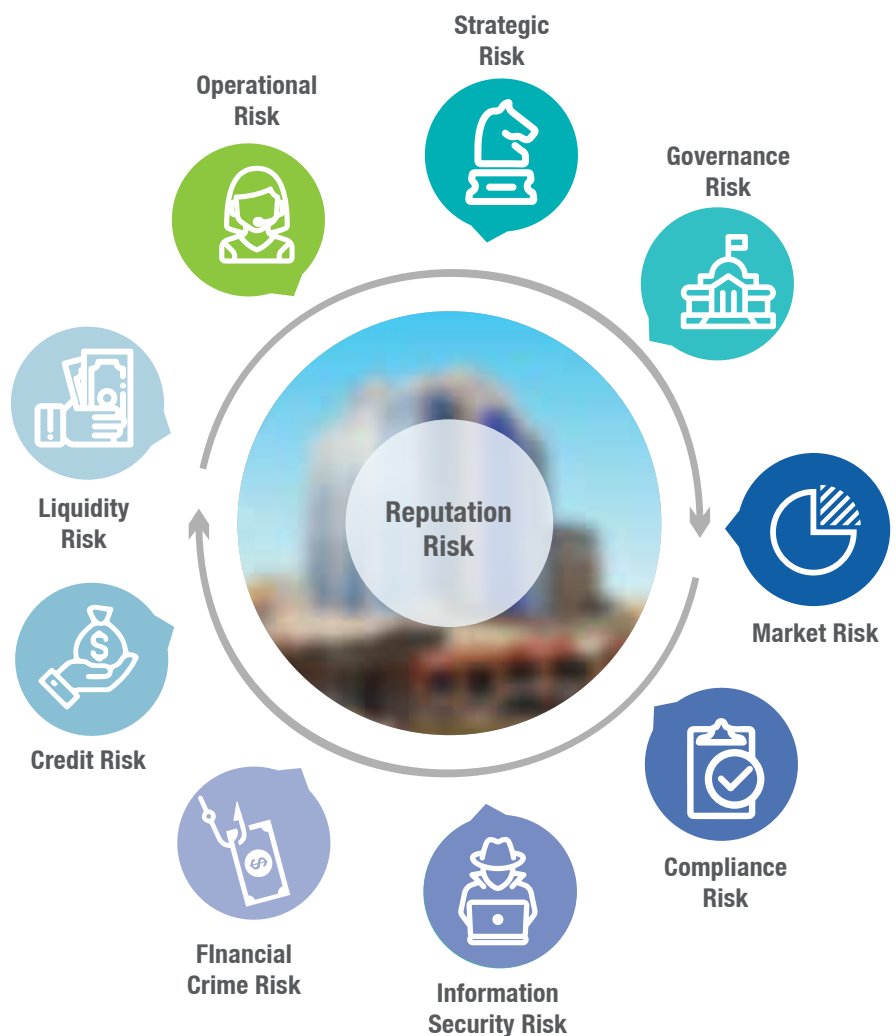




Table 4: How we Respond to Identified Risks

	Risk Category	Brief Description	How Risk is Mitigated
Strategic	 Strategic Risk	<p>Strategic risk is the current and prospective impact on earnings or assets arising from adverse business decisions, improper implementation of decisions, or lack of responsiveness to industry/ environmental changes</p>	<p>Managed through periodic strategy reviews and involvement of board committees in strategic decisions.</p> <p>Consistently communicating and applying strategic goals, objectives and corporate culture throughout the Fund.</p> <p>Adopting management information systems that effectively support strategic initiatives and ensuring that strategic initiatives are supported by sound due diligence and strong risk management systems.</p>
	 Reputation Risk	<p>Reputation risk is a risk of loss resulting from damages to a firm's reputation as a result of lost revenue, increased costs or destruction of shareholder value etc.</p>	<p>The Fund ensures that the primary risks, such as those described above are effectively addressed in order to manage reputation risk effectively.</p>
Tactical	 Market Risk	<p>Market risk arises from changes in market variables such as interest rate, equity price and foreign exchange rate</p>	<p>The Fund uses various models to monitor and assess the level of exposure to market risk and deal with those exposures</p>
	 Compliance Risk	<p>Compliance risk emanates from non-conformity to standards, guidelines, policies, procedures, regulations, laws etc. Non-compliance with laws or regulations may lead to severe repercussions e.g. sanctions or penalties; consequently affecting the image/reputation of the Fund</p>	<p>A compliance management framework is in place that identifies potential compliance exposures, documents them and develops appropriate response strategies.</p>
	 Information Security Risk	<p>Information security risk is the risk that the integrity, reliability and availability of information will be compromised</p>	<p>Strong security infrastructure is in place, that is monitored and tested on a regular basis to determine its resilience and robustness</p>
	 Financial Crime Risk	<p>This is a non-violent offense committed by individuals that results in a financial loss</p>	<p>The Fund has put in place various policies and procedural mechanisms to address these vices.</p>
	 Credit Risk	<p>Credit risk is a risk of financial loss resulting from the failure of an obliger /debtor to fully honor financial or contractual obligations to the lender.</p> <p>Although the Uganda Retirement Benefits Regulatory Authority (URBRA) Act bars the Fund from carrying out lending activities, the Fund considers potential failure by any financial institution which holds it Funds in form of fixed deposits, to pay back that money, as credit risk.</p>	<p>The Fund undertakes a detailed evaluation, based on the CAMEL (Capital adequacy, Asset quality, Management stability, Earnings and Liquidity) model, of each the financial institution's performance, to establish its credit risk before making any deposit placement.</p>

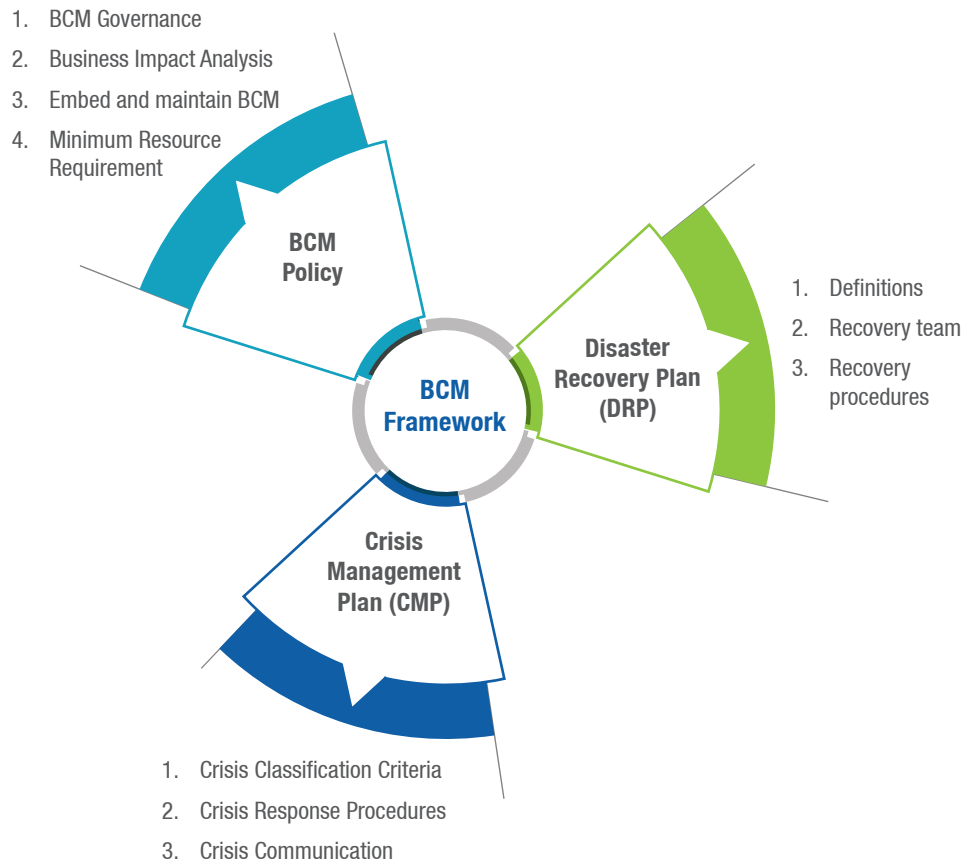
Tactical (Continued)	 Liquidity Risk	<p>Liquidity risk is the potential that the Fund will be unable to meet its commitments/ obligations as they fall due. The ability to meet all financial obligations as and when they fall due is an indicator of the Fund's strong financial position</p>	<p>Operational risk is the risk of failed or inadequate internal processes, systems, people or external events</p>
Operational	 Operational Risk	<p>Operational risk is the risk of failed or inadequate internal processes, systems, people or external events</p>	<p>The Fund has adequate policies and procedures that provide guidance on all processes and act as a system of internal controls. Additionally, a significant number of process flows has been automated to reduce risks associated with human errors and potential dishonest actions as well as enhancing operational efficiency.</p>

Organizational Resilience

The framework

The Fund established a comprehensive and robust Business Continuity Management and Disaster Recovery framework (BCM) to ensure continuity of business and minimization of disruptions to business in the event of a disaster. The BCM is part and parcel of the overall ERM.

BCM & Disaster Recovery tests



We would never know whether our BCM & DRP are robust and resilient enough to withstand disastrous events unless we subject them to regular tests. Our framework provides for two types of tests:

Table 5: BCM & DRP Test Framework

Type	Explanation	Test done	Result
1. System tests	Here only the IT infrastructure is tested. The process involves shutting down the primary servers at Workers and re-directing operations traffic to the Disaster Recover site, which is nearly 80 km away from the primary data centre.	07–12–2016	Satisfactory
2. Comprehensive test	In addition to testing the IT infrastructure, this includes testing evacuation and relocation procedures	25–05–2017	Satisfactory



Our team is always ready to ensure business continues as usual, even when a disaster happens



Don't let your boss rob your benefits

Over 12,000 Employers are not remitting their workers' savings. Your benefits are at stake and only you can protect them. There's a better way of getting what's yours.

Find out if your employer is not paying your NSSF savings.

To whistleblow anonymously, log onto www.nssfug.org

OR call 0417 331 557/07

#ProtectYourBenefits





*The Chairman, MD and
Company Secretary during
a meeting*

Governance Review

Management Succession

We have had an intensive year on assessing succession planning, general organization structure and how the Fund can work more effectively. Board and senior management succession has been a regular feature of our Board and Committee discussions over the last two years with development and continued assessment forming a key agenda item. This has led to the formation of the new organization structure that we strongly believe will be integral in delivering the 2025 strategic plan.

Secondly; the remuneration committee worked hard to review our remuneration arrangement to ensure that it incentivises and supports delivery of our strategy in the right way. Using the Hay Group to spearhead this project, wide consultations were made and its recommendations are awaiting approval by the full Board and the Finance Minister.

Compliance statement

The Fund's activities are regulated by the Uganda Retirement Benefits Regulatory Authority (URBRA). In preparing this report, the Fund also applied the main principles and complied with the provisions set out in the UK Corporate Governance Code.

The Board is committed to compliance with legislation, regulations and codes of best practice governing the retirement benefits sector and seeks to maintain the highest standards of governance, including transparency and accountability.

Management reports aid the Board in its role of monitoring compliance. The reports include information on any significant interactions with key stakeholders including regulators. The Board confirms that the Fund throughout the period under review, complied with all applicable laws and regulations plus submitted all quarterly reports to URBRA.

Challenges during 2016/17

- The unrealistic time lines under the Public Procurement laws that are not sensitive to investments
- Uncertainty arising out of the protracted sector liberalization draft legislation process.

2016/17 Key activities

Following the recognition and award for Best Corporate Governance reporting from ICPAU Financial Reporting Awards for the last three years, this year we are concentrating on the following:

- Enhanced integration across the report
- Greater insight into our Board strategy discussions
- Further disclosure from our Audit and Risk Assurance Committee,
- Greater depth to our remuneration disclosure and targets

Governance structure

Figure 3 below describes the governance framework at the Fund. It shows the interaction between the Members and the Board, demonstrates how the Board Committee structure facilitates the relationship between the Board and the Managing Director and illustrates the flow of delegation from Members.

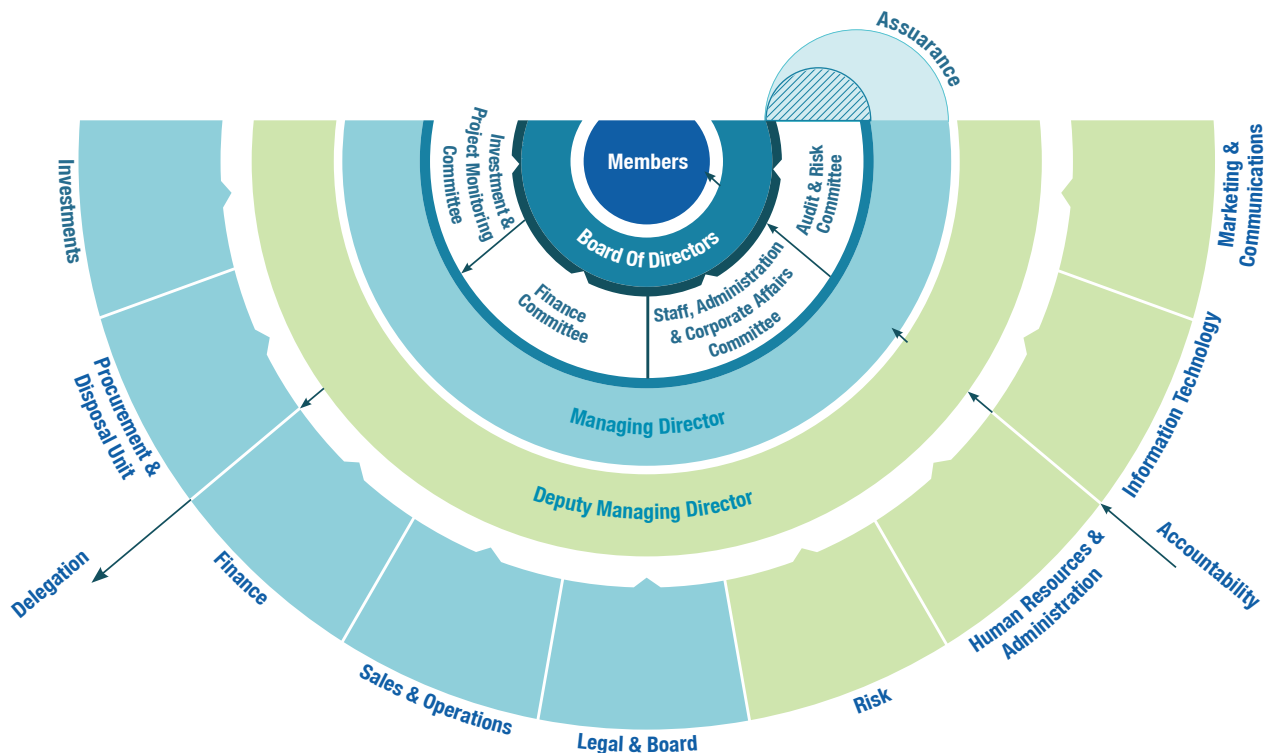
We have robust processes in place to ensure that the delegation flows through the Board and its committees to the MD and Executive Committee (EXCO) into the organization. At the same time, accountability flows upwards from the Fund to its Members. This process helps to ensure alignment with our members.

We do not see governance therefore as simply a box ticking exercise nor as a generality related to processes or control. We see it more about testing whether we do the right things, in the right way, ensuring we have the right safeguards, checks and balances in place and that the right considerations underpin every decision we take. We believe that this practical approach will support our performance for the long-term and protect the trust, integrity and value of our business and our brand.

As with previous years, our focus will continue to be on delivery of our strategy, creation of value and improvement in Member returns.



Fig 3: The Fund's Governance Structure





Our Board of Trustees review, evaluate and make recommendations about the Fund's strategic plans

Our Leadership

Board of Trustees Composition

The Board of Trustees is the governing body of the Fund headed by the Chairman. It consists of nine directors, each of whom are appointed by the Minister of Finance, Planning and Economic Development for a three year renewable term. The nine directors include; one Executive Director and eight Non-Executive Directors who represent each of the key stakeholder groups of members, employers and government.

Executive Committee Composition

The Fund's administration role is carried out by the ExCo which comprises of 13 members with the Managing Director, Deputy Managing Director, Corporate Secretary and 10 other Heads of department as shown in the ExCo profiles on pages 23–25

Board and ExCo Diversity

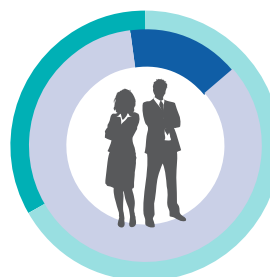
We believe in having a diverse leadership team with regard to experience, skills, professional expertise and gender as illustrated below;

Composition (Board V. ExCo)



8 Non-executive Director 0
1 Executive Director 13

Gender (Board V. ExCo)



6 Male 11
3 Female 2

Key

- Board of Trustees
- Executive Committee

Experience (Board V. ExCo)



Tenure (Board V. ExCo)



Responsibilities of the Board

1. Ensure good governance of the Fund.
2. Set responsibilities and performance targets for the Managing Director and management.
3. Evaluate Management performance from time to time.
4. Establish policies and processes to guide the legal compliance and delivery of services.
5. Approval of the strategic plan.
6. Monitoring the management and implementation of plans and strategies on a quarterly basis.
7. Carry out a review of internal control policies, systems and procedures and ensure their effectiveness.
8. Approve and monitor the progress of major investments (S.30 of the NSSF Act and 46{1} {b} of the URBRA Act.
9. Approve and monitor major contracts, acquisitions and disposals.
10. Advise the Minister of Finance, Planning & Economic Development on the appropriate rate of interest to be declared on member's accounts (S.35 {2} of the NSSF Act.
11. Ensure compliance with statutory requirements, prosecution and defense or pursue litigation in the interest of the Fund.

Board Chairman

The Chairman, Mr. Patrick Kaberege, is an Independent Non-Executive Director and was appointed in September 2015.

The chairman's roles include;

- Leading the Board and ensuring that it is operating to the highest governance standards.
- Encouraging a culture of openness and debate to foster a high-performing and collegiate team of Directors that operates effectively.
- Ensuring strategic issues, shareholder and relevant stakeholder views are regularly reviewed, clearly understood and underpin the work of the Board.
- Facilitating the relationship between the Board and the MD and providing close oversight, guidance, advice and leadership to the MD and management.
- Ensuring the provision of accurate, timely and clear information.
- Setting agendas for meetings of the Board, in consultation with the MD and the Company Secretary that focus on the strategic direction and performance of the Fund's business.
- Ensuring that adequate time is available for discussion on all agenda items.
- Leading the Board and individual Director Performance assessments.
- Speaking and acting for the Board and representing the Board to members.

Role of the Non–Executive Directors (NEDs)

The main responsibility of the Directors is to exercise their independent judgment to act in what they reasonably believe to be in the best interest of the Fund and its members. Other roles include:

- Participate in all Board meetings to bring an independent judgment to bear on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conduct.
- Take the lead where potential conflicts of interest arise.
- Scrutinize the Fund's performance in achieving agreed corporate goals and objectives, and monitor performance reporting.
- Make a positive contribution to the development of the Fund's strategy and policies through independent, ethical and informed decisions.
- Engage with senior management and other relevant parties, such as the external or internal auditors as well as the Fund's Legal Department, to ensure that the various concerns and issues relevant to the management and oversight of the business and operations of the Fund are properly addressed.

Managing Director

The Managing director is the Chief Executive Officer of the Fund and is, subject to the NSSF Act and to the general control of the board on matters of policy, responsible for the general management, administration and organization of the Fund. The Managing Director, Richard Byarugaba, is the only Executive Director on the Board. He has been a Board Member since August 2010.

Corporation Secretary

The Corporation Secretary, Richard Wejuli Wabwire was appointed by the Minister of Finance, Planning & Economic Development and has been in that role since October 2014. In addition to any other functions conferred upon him by the Minister and the Board, the Corporation Secretary has the custody of the seal of the Fund and is responsible for:

- a. Taking minutes of the meetings of the board and any of its committees and subcommittees;
- b. Keeping the records of all Fund transactions.
- c. The provision of legal advice on all Fund activities.

Independent Professional Advice

Section 5 (5) of the NSSF Act empowers the Board to invite or co-opt any person to attend any Board meeting or be consulted as an independent advisor, but such a person shall not be entitled to vote on any matter being decided by the Board at that meeting. The Board shall determine the area or field where professional advice is required. Management follows the PPDA Act and regulations to engage the advisors so required.

Appointments and Resignations

Directors are appointed by the Minister responsible for Social Security, currently the Minister of Finance, Planning & Economic Development, for a three year renewable term. Their appointment is subject to a due diligence and approval of the regulator URBRA. The nominees are recommended to the Minister by the members, employers and government. The Managing Director is recommended by the Board after interviews and appointed by the Minister. The Executive Committee is appointed by the Board. Under section 3(4) of the NSSF Act, a Director may, by writing in his or her hand a letter addressed to the Minister of Finance to resign from his or her office.

Director Induction, Training & Development

The Board considers that the development of industry and Fund knowledge is a continuous and ongoing process. Upon joining the Fund, each Director undertakes an induction program to further their understanding of the nature of the Fund, its business and the environment in which it operates, and also enhance their knowledge of the Fund's operation and staff. The Induction program is tailored to each new director, depending on the experience and background of the director.

The Board considers the aforementioned trainings attended and/or participated in by the directors as adequate to enhance the directors' skills and knowledge to carry out their duties as directors. All directors are required to provide the Company with their training records on annual basis and such records are maintained by the Company Secretary for regular review by the Staff, Administration and Corporate Affairs Committee.

In addition to directors' attendance at meetings and review of relevant materials provided by management during the year, the professional trainings attended by the directors were set out as follows:

Table 6: Board Trainings Attended in Financial Year 2016/17

Title Of Training	Modern Corporate Governance	Public Sector African Governance, Risk and Compliance Training	Role of Board Members in Effective Pension and Social Security Management Training
Date Of Training			
Members In Attendance			
Training Details	<p>The training program assessed corporate governance in organizations and entailed the following objectives:</p> <ul style="list-style-type: none"> • The strategic role of the Board of Trustees and shareholders' rights • Corporate governance lessons from the financial crisis • Socially responsible investments 	<p>The five (5) day program covered detailed areas on governance in Africa, Advanced risk Management with an overlap of enterprise Wide Risk Management and compliance.</p>	<p>The training was tailored to contribute towards innovative strategies for board members to perform their oversight and governance roles towards sustainable pension and social security schemes.</p>

Continuous Professional Development Program.

As part of the Continuous Professional Development Program, the Board members from time to time receive presentations from the Executive Committee on matters of significance. Financial plans, budgets and forecasts are regularly discussed at Board meetings. The Fund also arranges appropriate visits and seminars covering the Fund's operations, the industry and governance matters for directors to facilitate their understanding of the business and have a better awareness of the risks associated with the Fund's operations.

Delegation of authority

According to the NSSF Act and URBRA Act, the Board delegates to:

1. The Board Committees or any person as it may deem necessary to assist the Board in fulfilling its duties. Each Committee has a formal Charter, approved by the Board, setting out the authority, responsibilities, membership and operation of the Committee.
2. Management headed by the Managing Director the authority to manage and control the day-to-day affairs of the Fund in relation to matters other than those reserved to the Board under the laws applicable and the Board Charter.

Matters reserved for the Board

These are detailed in the NSSF Act, URBRA Act, the Board's Charter and the Fund's policies in force. And they include the following:

- Appointment and termination of senior management and determination of their terms and conditions of service.
- Investment of member funds.
- Approval of the Fund's strategy, Fund's annual budget, significant changes to the organizational structure, acquisition and disposal of any assets of the Fund (subject to the laws in force), annual financial reports and Fund policies.



NSSF scooped the Public Sector Award during the Corporate Governance Awards organized by the Corporate Governance Institute.



Board members during a brainstorming session

How The Board Operates

Board Activities in 2016/17

During the period under review, The Board carried out the following;

- The Board held four meetings, one per quarter, during the year under review and each Board Committee also met once quarterly. Details of each meeting are highlighted in the meeting attendance table below and the Board calendar on page 95.
- They toured the various real estate projects and the viable East African countries where we have invested in fixed income securities.
- Attended various board trainings and induction to better equip them to play their roles.

As the Board, we regularly met to discuss and review

- Our performance to date and our progress towards our goal to become the social security provider of choice.
- Our brand and reputation and how we can ensure that our behaviors and processes protect us for the future.
- Our people, and how we can create a high performing team, potential for future development and succession along with appropriate motivation and reward.
- Our customers, suppliers and local communities ensuring we treat them all fairly and respectfully.
- Our members and how we can communicate openly on the way we manage and challenge the business.
- Received Updates from our Board committees and management on legislation and proposed consultations that may affect the Organization's legal and regulatory obligations, including proposals to reform the Pension sector.
- Received assurance that the governance structures remain appropriate for the Fund.

Board Action Plan

The Board action plan 2016/17 covered;

- i. **Board dynamics** – Improve the competence framework, succession plan, strategic annual plan and key performance indicators for the Board.
- ii. **Risk management and internal control** – Improve the capability of the Board to provide the necessary oversight in risk management and internal control.
- iii. Greater knowledge of and interaction with senior management and wider employee community

Board and Board Committee Meeting Attendance

The Chairman presides at all meetings of the board, but in his absence any member appointed on his behalf by the members present shall preside. The board meets for the discharge of its functions at least once every three months at such time and place as the Chairman may appoint or upon the request of the majority of the board members.

Decisions of the Board are taken by a simple majority of the members present and voting, with the person presiding having a casting vote. The Board may invite any person who is not a member to participate in the deliberations of the board, but such person shall not be entitled to vote.

Table 8: Board and Board committee meeting attendances

Directors	Board		IPMC		ARC		FC		SACA	
	MA	AR	MA	AR	MA	AR	MA	AR	MA	AR
Mr. Patrick Byabakama Kaberenge	15/15	100%	5/5	100%	N/A	–	N/A	–	N/A	–
Mr. Richard Byarugaba	15/15	100%	5/5	100%	N/A	–	4/4	100%	9/9	100%
Ms. Sarah Walusimbi	13/15	87%	N/A	–	5/5	100%	4/4	100%	N/A	–
Mr. Andrew Stuart Obita	13/15	87%	N/A	–	5/5	100%	4/4	100%	N/A	–
Mr. Nelson Wafana Makwasi	13/15	87%	N/A	–	N/A	–	4/4	100%	7/9	78%
Ms. Peninnah Takamwesiga	11/15	73%	5/5	100%	N/A	–	N/A	–	9/9	100%
Mr. Patrick Ocailap	9/15	60%	5/5	100%	N/A	–	1/4	25%	N/A	–
Mrs. Florence Namatta Maweje	9/15	60%	N/A	–	3/5	60%	N/A	–	9/9	100%
Mr. Pius Bigirimana	6/15	40%	2/5	40%	1/5	20%	N/A	–	N/A	–
Overall attendance rate	77%		88%		70%		85%		94%	

Key

IPMC – Investment & Project Management Committee

ARC – Audit & Risk Committee

FC – Finance Committee

SACA – Staff Administration and Corporate Affairs Committee

MA – Meeting Attendance

AR – Attendance Rate



Our Board of Directors are committed to ensuring that the Fund's strategic plan is in the right direction

What the Board did in 2017

JAN

- C** Organization's performance report
- B** Managing Director Appraisal
- B** Annual Members Meeting

FEB

- B** ExCo Appraisal
- F/A** Board Training
- B** Review Board and Committee Meetings Schedule

APR

- B** Strategic Planning/ Review Workshop
- C** Organization's Performance Report
- S** Records Management Policy + Board Remunerations Report
- B** Annual Members Meeting

MAR

- B** HR Manual
- B** Hash Run

SEP

- F/B** Approve annual interest
- B** Review/ Approve Annual Report
- S** MD Appraisal/ Review
- B** Annual Members Meeting

MAY

- B** Organization's performance report + BSC Approval
- F/B** Approve Budget
- B** Board Remuneration Review.
- I/S** Board Training

JUL

- C** Organization's performance report

OCT

- C** Organization's performance report
- B** Managing Director's Appraisal
- B** Annual Members Meeting

AUG

- B** Organization's Performance Report
- B** ExCo Appraisal

NOV

- B** Organization's performance report
- B** Board Training
- B** ExCo Training

Key

- Strategy Implementation
- Policy Review & Approval
- Stakeholder Activity
- Corporate Governance

Independence, Personal Conduct and Conflict of Interest

Independence

Directors are considered by the Board to be independent of management and free from any business relationship or other circumstance that could materially interfere with the exercise of objective, unfettered or independent judgment. The independence of each Director is assessed annually by the Board as part of its annual Board Effectiveness Review and in conducting its current assessment it was concluded that all Directors continue to bring strong independent oversight and continue to demonstrate those qualities and behaviors it considers essential to be considered independent as set out in the Board terms of reference.

Personal conduct

Directors at all times exude integrity, accountability, informed judgment, financial literacy, and candidly discuss issues. They are committed to the Fund and ensure that the Fund maintains a positive image within the sector, national economy and general public.

Conflict of Interest

Directors have a statutory duty to avoid situations in which they have or may have interests that conflict with those of the Fund. The Board therefore has a set procedure and guidance to deal with actual or potential conflicts of interest of directors as follows;

- i. The Board terms of reference provide that a Director shall not put him or herself in a position in which his or her personal interests conflicts with his or her duties and responsibilities
- ii. To manage any possible conflict of interest, the Corporation secretary circulates a conflict of interest form to any person attending the meeting
- iii. The Chairman shall require any person who has conflict of interest to recuse himself from the deliberations of the decision on the specific agenda item.

Access to information

The Board and its committees are supplied with full and timely information, including detailed financial information, to enable the Directors discharge their responsibilities. All Directors have access to the advice of the Corporation Secretary who is responsible for advising the board, through the Chairman, on matters of corporate governance.

To ensure that the Board is properly informed about the performance of and current issues facing the different sections of the Fund, the Board and its committees may co-opt members of management or invite any of the following to attend the meeting of the committee.

- Internal auditor
- External Auditor
- Any other Non-Executive Director or employee of the Fund.

Succession Planning

The Board is ultimately responsible for succession planning for directors and key management roles. During the year, the Board and the Staff Administration and Corporate affairs committee discussed and reviewed the management composition and succession planning to ensure that the successors for key roles are identified and their performance is also assessed. This is critical for ensuring that the right structure and talent is in place to deliver on the Fund's strategy now and in the future.

Board Performance and Evaluation

The Board evaluates its performance through a combination of both internal peer and externally facilitated assessments. Below is the progress against some of last year's recommendations

Recommendation: The Board should develop an evaluation process covering the Board committees, individual Directors and chairperson and the Corporation Secretary.

Action taken in 2017: The evaluation process was embedded in the Board activities program

Recommendation: The Board should prepare an annual training program aimed at achieving specific skills gaps/based on training needs assessment.

Actions taken in 2017: A comprehensive training program was developed and implemented with emphasis on the key governance areas of risk management and internal control.

Board evaluation process (2016/2017)

This year's Board evaluation was externally facilitated by Ernst and Young Global Limited (EY), an independent audit and management consultancy firm with no other connection with the Fund. The evaluation included self-evaluations done by completing online questionnaires, a series of one-on-one interviews with all Directors and a desktop review of the Board Charter, Board profiles, committees' composition, Board agendas and Board minutes.

Conclusions from this year's review.

This year's review was positive and confirmed that the Board and its committees operate effectively and that each Director contributes to the overall effectiveness and success of the Fund.

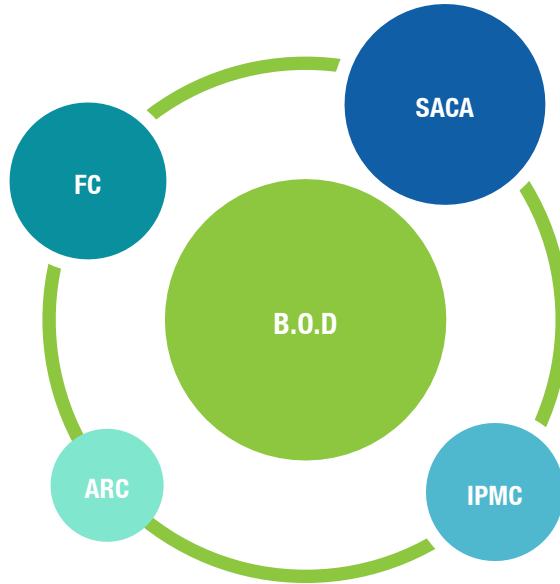
Some of the recommendations from this year's review included:

- Develop a competence framework to guide future appointment of directors and constitution of Board committees.
- Develop annual plans with strategic themes aligned to the needs of the business
- Agree on key performance indicators and measures for the Board, Board committees, individual Directors and chairperson and the Corporation Secretary.
- SACA should guide the development of the succession planning framework for the Board and senior management.

The Board will address these recommendations during the 2017/18 financial year and will report on progress in our 2018 annual report.

Board Committees

The Fund has preserved four Board committees with defined terms of reference which are stipulated by the NSSF Board Charter. The Board Committees' functions shall mainly be for purposes of review, oversight and monitoring. The diagram below illustrates the Board committees and their constitution;



Board Of Directors

Chairperson

Mr. Patrick Byabakama Kaberenge

Executive Director

Mr. Richard Byarugaba

Non-Executive Directors

Mrs. Sarah Walusimbi
 Ms. Florence N. Mawejje
 Mr. Wafana N. Makwasi
 Mr. Patrick Ocailap
 Mr. Pius Bigirimana
 Mr. Andrew S. Obita
 Ms. Peninnah Tukamwesiga

Board Committees



Finance Committee (FC)

Chairperson

Mr. Andrew Stewart Obita

Members

Mr. Patrick Ocailap
 Mrs. Sarah Walusimbi
 Mr. Richard Byarugaba
 Mr. Wafana Nelson Makwasi



Staff Administration & Corporate Affairs Committee (SACA)

Chairperson

Ms. Florence Namatta Mawejje

Members

Mr. Wafana Nelson Makwasi
 Ms. Peninnah Tukamwesiga
 Mr. Richard Byarugaba



Audit & Risk Assurance Committee (ARC)

Chairperson

Mrs. Sarah Walusimbi

Members

Mr. Pius Bigirimana
 Mr. Andrew Stewart Obita
 Mrs. Florence Namatta Mawejje



Investment & Project Management Committee (IPMC)

Chairperson

Mr. Patrick Ocailap

Members

Ms. Peninnah Tukamwesiga
 Mr. Pius Bigirimana
 Mr. Richard Byarugaba

**Ms. Sarah
Walusimbi,
Chairperson ARC**



Audit and Risk Assurance Committee (ARC)

The role of this committee is to assist the Board to effectively discharge its oversight responsibilities for financial reporting, risk management, internal controls, internal and external audit and regulatory compliance and governance. The Board has overall responsibility for ensuring that the Fund maintains an adequate system of internal control and risk management and for reviewing its effectiveness.

The ARC on behalf of the Board undertakes the detailed monitoring of the controls through the internal Audit function and reports to the Board on its findings. The internal control environment in place to mitigate the impact of each risk are monitored by the committee on a regular basis as are the principal actions being taken to improve them. The Board has reviewed the system of internal controls including financial controls for the year under review up to the date of approval of this Annual Report and Accounts.

2016/17 ARC Activities

The committee focused its attention on regulatory challenges, information security and business continuity planning and management. It encouraged the continuing improvement of capabilities and connectivity of the risk management process across the business, with emphasis on its ability to identify and assess emergent risk. Key activities in 2016/17 were to review:

- The application of accounting standards, the Fund's 2015/16 results, 2016 half-year results, the interim management statements and the external auditors' reports where results are audited.
- The Basis of preparation and accounting judgments.
- The internal processes that had been followed for the preparation of the report and accounts and confirming that the processes appropriately facilitated the preparation of an annual report that is 'fair, balanced and understandable.'
- The review on the year-end audit from the external auditors, including the key audit risks, the control environment and the final materiality assessment and confirming the independence of the external auditors.
- The steps taken to validate the Fund's 'going concern' assessment at half-year and year-end.
- The 2016/17 Internal Audit Plan.
- The Fund's Risk Register, including the categorization of, and mitigating factors in respect of the Fund's risks.

**Mr. Patrick Ocaïap,
Chairperson IPMC**

Investments and Project Management Committee (IPMC)

The Committee undertakes the following responsibilities and other matters within its terms of reference that may warrant its attention:

1. Recommends investment strategies, policies and guidelines to the Board for approval.
2. Reviews and recommends investment proposals to the Board.
3. Reviews and recommends project concepts, strategies and budgets to the Board.
4. Reviews and recommends to the Board a procurement strategy for each project.
5. Reviews and recommends design concepts and master plans to the Board, or changes thereto.
6. Reviews performance of real estate projects, equities and fixed income on a quarterly basis in line with the targets.

Investment and Projects Management Committee of the Board complied with its mandate for the year under review. All the scheduled meetings were held.

2016/17 Activities

The Board approved investments worth a total of Ushs 2.3 Trillion for the financial year. The table below shows the summary of where the funds were invested.

Table 9: The Fund's Investments during Financial Year 2016/17

Asset class	Amount (Ushs)	Percentage
Fixed deposits to banks	(31,799,988,595)	-1.4%
T-bond Uganda	1,170,240,062,500	51.5%
T-bond Tanzania	328,119,645,128	14.4%
T-bond Kenya	384,365,578,003	16.9%
T-bond Rwanda	4,645,732,064	0.2%
Equities	349,223,361,156	15.4%
Real estate	67,949,470,885	3.0%
Total	2,272,743,861,141	100%



*Mr. Stewart Obita,
Chairperson FC*

Finance Committee (FC)

The committee is mandated to assist the Board in fulfilling its oversight responsibility as provided under the NSSF Act:

The following are the responsibilities of the Finance Committee of the Board;

1. Reviews the Fund's accounting policies and principles and assess the appropriateness of those policies to ensure that they conform to the internationally accepted accounting and reporting standards.
2. Considers budget estimates and ensure control measures are in place.
3. Reviews and approves audited financial statements prepared by management.
4. Reviews quarterly budget performance reports.
5. Recommends interest rate to members for declaration depending on the Fund's realized income.
6. Approves budget re-allocations and increments.

2016/17 Activities included;

1. Monitored closely the financial resolutions of financial audit matters raised by the Auditor General.
2. Provided guidance about the legal matters between URA and the Fund.
3. Reviewed the strategic targets for the Fund and the alignment thereof.
4. Set and monitored performance measurements of the fund for the year.

The objectives for 2017/18 will be;

1. To monitor closely the legislative and regulatory developments relating to pension reforms.
2. To provide guidance and budget for the investments needed for the Pension Administration System (PAS).
3. To review the progress regarding the legal tax matters between the fund and URA.



*Ms. Florence N.
Maweje
Chairperson SACA*

Staff and Corporate Affairs Committee (SACA)

The Committee is responsible for establishing Human Resource policies governing the terms and conditions of employment, remuneration and other benefits at the Fund. The key activities in 2016/17 included reviewing;

1. Management's 2015/16 performance assessment.
2. The Committee's effectiveness following the Board evaluation process.
3. Executive Management appointments, interviewing candidates and recommending appointments to the Board.
4. The Talent Strategy and talent development priorities for 2016/17.
5. Succession planning for the Executive Directors and for the Management Committee.
6. The progress of bespoke development plans for high potential candidates for Leadership roles (covering the key experience required for further progression, mentoring and education opportunities).
7. The progress of diversity initiatives.



*Stella Rukundo, Senior
Relationship Manager
(M) NSSF Jinja Branch
received a reward for her
outstanding performance*



Every employer should create a better life for their employees by remitting their monthly contributions promptly



The Fund carries out remuneration surveys to attract, motivate and retain high calibre staff

Remuneration Report

Remuneration Structure

To determine the remuneration of employees, the Fund conducts salary surveys every three years to obtain market information and also considers the Fund’s performance against set objectives. This is aimed at attracting, motivating and retaining high caliber staff needed to deliver on the Fund’s objectives.

The table below shows the Fund’s remuneration policy at a glance.

Table 10: The Fund’s Remuneration Policy

Reward objectives	Reward principles
Attract Enable the Fund to recruit the right people	Competitive <ul style="list-style-type: none"> We assess competitiveness on a total reward basis. Reward reflects an individual’s role, experience, performance and contribution. Reward is set with reference to external market practice and internal relativity
Motivate Incentivize colleagues to deliver our business goals together	Simple <ul style="list-style-type: none"> Reward is simple, clear and easy to understand We avoid unnecessary complexity Reward is delivered accurately
Recognize Acknowledge individual contribution and performance	Fair <ul style="list-style-type: none"> Policies are transparent and applied consistently and equitably Reward decisions are trusted and properly governed Reward is legal and compliant
Align Create member value and support the achievement of business strategy	
Retain Foster loyalty in the Fund in order to retain high performing employees	Sustainable Our reward framework is flexible to meet the changing needs of the business and the economy We reward in a responsible way

The Fund's pay structure may include any or all of the following; fixed pay, performance based increment and variable pay.

Fixed pay:

The Fund has developed a fixed pay range that is linked to an approved grading system. This is aimed at ensuring that the pay is fair and there is internal equity and consistency within the Fund. The pay is competitive compared to entities of similar nature.

Performance Based Increments

Performance–Based Increment (PBI) is a method of remuneration used by the Fund to ensure appropriate reward for performance. It links pay progression to an assessment of individual performance usually measured against pre agreed objectives. Pay increases awarded through PBI are normally consolidated into basic pay. The increments are based on the appraisal results for the year, and are based on the rates shown below.

Table 11: The Fund's Performance Based Increment Rates

	Category	Score	Increment
A+	Exceptional Performer	80% and above	15%
A	Very Good Performer	70–79%	10%
B	Good Performer	60–69%	5%
C	Fair Performer	50–59%	0%
D	Unacceptable	Below 50%	0%

Variable Pay:

The Fund has also got annual incentives in form of bonuses paid to qualifying staff. Bonus pay is a onetime lump–sum payment and the objective is to recognize and reward employee's contributions, retain exceptional and very good performers, motivate staff and also increase productivity.

Individual employee bonus awards are based on agreed and reviewed performance and the overall contribution to the Funds' results for the year in question.

Benefits

The Fund provides benefits in line with the market practice and the regulatory requirements. The Fund provides medical insurance cover and death benefits to all Fund employees and their dependents.

In addition, a retirement benefit scheme "Staff Provident Fund" is provided to all the permanent staff where as a "Gratuity Scheme" for the Executive Staff (EXCO). This is aimed to motivate staff. Other benefits currently available to the MD; DMD and Corporation secretary include;

- Private use of a Company car
- Membership to private clubs/gyms
- Private body guard services/ personal security.

Recognition Policy

The Fund recognizes and rewards individuals and groups of staff who make exceptional (sustained or one-off) contribution that promotes the aims and objectives of the Fund, or meet exceptional shorter-term operational challenges. The award(s) can be given to a “Group” or an “Individual” and is(are) both financial and non-financial.

Long service incentive

Although service may not necessarily contribute to performance automatically, the Fund does value the commitment and loyalty of long serving employees. This is done in the form of a long service award. These awards recognize service in 5-year bands, starting with the service from 10 years’ service and then continuing with awards every 5 years.

Remuneration of Statutory Appointees

The remuneration package and long term incentive for the Managing Director, Deputy Managing Director and Corporation Secretary are determined on the same basis and using the same qualifying criteria as for other employees. The appointee’s remuneration is subject to an annual performance review process conducted by the Board. This package is approved by the appointing authority, who is the Minister of Finance, Planning & Economic Development

Table 12: Annual Single total figure of remuneration

Top Management	Salary (Millions)	Benefits (Millions)	Bonus (Millions)	Pension (Millions)	Gratuity (Millions)
Managing Director	538	248	94	95	108
Deputy Managing Director	414	226	77	74	83
Corporation Secretary	373	207	45	63	75

Non-executive directors’ remuneration and terms of engagement

Terms of Service

All non-executive directors are provided with a letter of appointment setting out the terms of engagement. Directors are appointed by the Minister of Finance, Planning & Economic Development for a three year term which is renewable

Fees

Non-executive directors receive a retainer for their service on the Board and a meeting attendance fee for Board and Board Committee meetings. Fees are paid monthly in arrears. There are no contractual arrangements for compensation for loss of office. Executive director(s) do not receive any retainer or meeting attendance fee.

In determining the remuneration of non-executive directors, the Board considers the extent and nature of their responsibilities, and comparative remuneration offered by other major entities of a similar nature.

Table 13: The Fund's Remuneration Structure

Directors' fees (Ushs) Board Chairman	
Annual retainer	72,000,000
Fee per sitting	500,000
Director	
Annual retainer	60,000,000
Fee per sitting	450,000
Board committee	
Chairman (Fee per sitting)	450,000
Member (Fee per sitting)	450,000

Table 14: Summary of 2016/2017 Board Emoluments

Category of Directors	Board retainer Fees & Board sitting allowance	Other benefits	Pension contributions	Total
Non – Executive	470,538,000	847,563,105	37,878,800	1,355,979,905



The NSSF Internal Audit team is in charge of auditing the Fund's business systems and processes

Accountability and Audit

Internal audit and Risk Management

The Internal Audit function provides independent and objective assurance of the design and operating effectiveness of the framework of risk management, control and governance processes, focusing on the areas of greatest risk.

The Head of Internal Audit reports to the chairman of the Audit and Risk Assurance Committee and frequent meetings are held between them during the year. Administratively, the Chief Internal Auditor reports to the Managing Director who is responsible for ensuring that issues raised by the Internal Audit function are addressed within an appropriate and agreed timetable. Confirmation to this effect must be provided to the Chief Internal Auditor.

Role of Internal Audit in the Fund

The Internal Audit function provides independent assurance on internal controls, governance and risk management processes of the Fund. Their role includes;

- i. Assessing the soundness of the Fund's internal control system /processes and making recommendations for improvement.
- ii. Appraising the economy, efficiency and effectiveness with which resources are employed and identifying means for improvement.
- iii. Reviewing the systems established for compliance with the rules, regulations and laws and policies and procedures.
- iv. Providing internal consultancy to Management.
- v. Conducting investigations as assigned by management and the Board.

Overall, the Internal Audit function helps the Fund to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, internal control and governance processes.

Reporting and Monitoring

The work of Internal Audit is aligned to the strategic objectives of the Fund. On an annual basis, a risk based audit plan is developed in consultation with Management and approved by the Audit and Risk Assurance Committee. The plan is derived from risk assessments and is aimed at covering each significant auditable unit within the Fund.

Internal audit reports are submitted to the Audit and Risk Assurance Committee quarterly. Key audit findings are presented to Management and diligently followed up. Management is responsible for ensuring appropriate actions are taken to rectify any control deficiencies highlighted in the audit reports within a reasonable period.

Besides, Internal Audit follows up the implementation progress of all internal control recommendations given by the external auditors to the Fund to ensure any issues noted are properly resolved within a reasonable period.

In addition, the Fund has the “Whistle blowing Policy” for staff members to raise concerns, in strict confidence, about possible improprieties in any matters related to the Fund business. Reported cases are investigated by Internal Audit in a confidential and timely manner and the investigation report is submitted to Management and the Audit and Risk Assurance Committee.

External auditors

The Audit Committee assesses annually the qualification, expertise, resources and independence of the external auditors and the effectiveness of the audit process through an established policy aimed at safeguarding and supporting the external auditors’ independence and objectivity. The Board reviewed its relationship with its auditors, KPMG (Klynveld Peat Marwick Goerdeler) and concluded that there are sufficient controls and processes in place to ensure the required level of independence and that objectivity and independence of the external auditors were not in any way impaired in the year under review.



**Sustainability
Report**



As part of our Corporate Social Responsibility agenda, the Fund prides itself in reaching out to the less privileged in society. Above are children from one of the KCCA public schools that we are renovating



Some of the children of Nakivubo Settlement Primary School posing for a historical photo after their classroom block was renovated from the proceeds of the NSSF Hash Run

Our Approach to Sustainability

What is in our Report

This section is structured under three broad headings; delivering value to stakeholders, social responsibility and protecting the environment under which we report subject areas relating to our most material sustainability issues.







Sustainable business practices are becoming increasingly important for the Fund as we strive to foster a thriving business environment, vibrant community, and regionally competitive economy. During the year we continued to maintain our strong financial performance and to invest in our members, staff, our communities, other stakeholders and our environment.

Materiality Assessment

At the Fund we prioritize stakeholders' issues based on their level of relevance and significance with regard to their economic, environment, social and financial impact as guided by the Global Reporting Initiative (GRI) framework.

We report in reference to the **Global reporting initiatives (GRI) G3/G3.1**. Our reporting framework aims to measure, disclose and be accountable to internal and external stakeholders. The limitations and scope of the information, and the changes in criteria applied with respect to the previous reports, are reflected in the corresponding section of the report and the table of GRI performance indicators. If central performance indicators are omitted, the reason for omission is explained, following consideration of the principle of materiality.

Our annual sustainability report, based on the GRI framework, can be used by us, and by our stakeholders, to benchmark our performance against others in our industry.

Stakeholder Groups	Impact and Significance
 <p data-bbox="598 510 906 555">Our Employees</p>	<p data-bbox="906 302 1503 555">Our employees are part of our human capital and their health and safety, competencies and welfare are fundamental to the Fund’s operational effectiveness. We aim to develop their potential to drive innovation, productivity and organizational excellence.</p>
 <p data-bbox="598 757 906 801">Our Members</p>	<p data-bbox="906 555 1503 801">Based on our “Customer First” philosophy, we take measures to incorporate the comments and opinions of members into our strategy. We ensure timely and appropriate disclosure of operating results and financial condition of the Fund to Members.</p>
 <p data-bbox="598 981 906 1025">Our Suppliers</p>	<p data-bbox="906 801 1503 1025">NSSF maintains relations with suppliers based on ethical practices, transparency and mutual respect. Based on the principles of fairness and free competition, the Fund assigns top priority to suppliers that offer superior performance in terms of quality, cost, delivery and corporate reliability.</p>
 <p data-bbox="598 1238 906 1272">Government & Regulators</p>	<p data-bbox="906 1025 1503 1272">Beyond compliance, we partner with key government agencies to jointly elevate industry standards for Pension and Provident Fund as well as sustainability practices.</p>
 <p data-bbox="598 1462 906 1503">Our Community</p>	<p data-bbox="906 1272 1503 1503">Our developments shape public spaces and impact the interaction between people and their broader environment. The Fund seeks to promote social integration, and invests in projects that support environmental conservation and community development.</p>
 <p data-bbox="598 1686 906 1727">The Media</p>	<p data-bbox="906 1503 1503 1727">As news and information outlets are one of the main sources of information for our stakeholders and the public, we aim to engage the media in promoting sustainability.</p>

NSSF's Strategic Focus for Sustainability

NSSF continues to pursue its business interests in a sustainable manner. Our mission is captured by the three simple words “a better life”. A better life reflects the intent we have to enhance community livelihoods through award winning CSR programs such as;

- The blood donation drive,
- The hash run that supports under privileged schools in Uganda.

A better life signifies the intent we have to enhance the quality of life of our members through financial literacy programs like the “friends with benefits campaign”.

The Funds' sustainability strategy is therefore expected to result into having unmatched customer experience, making it the premier brand in Uganda and an economic driver in East Africa and the employer of choice in Uganda as illustrated below;



Performance Overview

We have made good progress on key aspects of our sustainability performance, receiving external recognition for our achievements but we still face challenges. We report on these challenges in an open and honest manner.

“

A better life;

- Reflects the intent we have to enhance community livelihoods through award winning CSR programs.
- Signifies the intent we have to enhance the quality of life of our customers through financial literacy programs
- Means we are cost-conscious in the way we run the business with a long term commitment to reduce the cost of administration to below 1.2%.

An overview of our report in key areas is shown below and you can read more detail through this report.



Delivering Stakeholder Value

Member Satisfaction Rate

92%

Interest Paid to Members

Ushs
681 Bn

Staff Satisfaction Rate

84%



Economic Impact

Paid in Taxes

Ushs
131 Bn

Regional Investments

Ushs
2.7 Tn

Payment to Suppliers

Ushs
32 Bn



Community Investment

Donated to health facilities

Ushs
370 M

Funds Raised for Public School Renovation

Ushs
132 M

Staff Participation in CSR

80%

Evolving with You

in Operations



The Operations department serves as a key cornerstone to the delivery of an exemplary customer experience. Our support extends through the entire lifetime of the customer with the Fund, from their first interaction at registration to the point of receiving their benefits.

We have further developed an initiative to provide continuous financial literacy even after retirement.

Only through interdepartmental team work and working closely with our customers and external partners have we managed to bring the Fund closer to its dream of being the social security provider of choice.

Our efforts of streamlining our business processes, implementing new systems, and leveraging on our data to better understand the needs of our customers have resulted in an improvement on the payment of benefits to our customers to an average of 11 days.

As we move towards achieving our 2025 strategic goals, we plan to continue our adoption of new and innovative technologies that will improve our efficiency and customer experience.

Data analytics will serve as a central tenet in helping us achieve our goals and create a more personalized interaction with our customers.

Jean Mutaabazi Kasirye
HEAD OF OPERATIONS





“Data analytics will serve as a central tenet in helping us achieve our goals and create a more personalized interaction with our customers.”

Our Achievements

1. Overall Silver Award Winner,
~ **FiRe Awards 2017**
2. Outstanding Achievement Award in
Corporate Governance Reporting,
~ **FiRe Awards 2017**
3. Organisation with the best HR
Practices,
~ **Africa Best Employer Brand
Awards 2017**
4. Best Media Management Campaign
for the NSSF Blood Donation Initiative
~ **PRAU Excellence Awards 2017**
5. Public Sector Category Award,
~ **FiRe Awards 2017**
6. Best Communication & Design Award,
~ **FiRe Awards 2017**

1



2



3



Other Awards

1. ISSA Good Practice Awards Africa recognized NSSF Friends with Benefits campaign initiative
2. ISSA Good Practice Awards Africa awarded NSSF for a Straight Through Process for contributions collection.
3. Africa Pension Fund Infrastructure Investment Initiative of the Year Award.

4

5

6







*Over 1000 members
attended the NSSF Annual
Members Meeting*

Delivering Stakeholder Value

As a purpose led business, our members, customers, staff and suppliers are central to all that we do and key to our success.

We have a program of regular proactive engagement with our key stakeholders to make sure we listen to and understand their views.



Our members are always encouraged to visit any of our branches to update their member details

Our Members

National Social security fund is mandated by the NSSF Act to provide security services to members of the private sector in Uganda. Our members include employees who we regard as primary members and employers who are secondary members. As a public institution charged with collection and investment of members' savings over the long term, we have a responsibility to our members and all other stakeholders.

Our Approach

Meeting the needs of our members is a key aim of our business and our strategic approach is focused on achieving high levels of member satisfaction and addressing complaints satisfactorily. We track member satisfaction across our business, and use member satisfaction scores as one of our four key performance indicators where each staff is evaluated. We engage with our members in a number of different ways in order to deal with their inquiries and any complaints, but also to improve our understanding of their needs and expectation of us.

Member Engagement

National Social Security Fund has set up stable and long-lasting relationships with all of its members to better understand their expectations, respond to their needs with innovative solutions, and forge long-term relationships built on trust. We use a segmentation approach which helps us to stay in touch with our Members through relationship managers on a regular basis. We also have outreach centers which help us to stay in touch with our members on a monthly basis.

In 2017, our customer engagement activities included radio talk shows, Road shows, employer breakfasts and television shows. We are increasingly using social media to engage with members to get them involved in our campaigns.

NSSF has put in place social media channels to help in monitoring queries. These are Twitter, Facebook and other channels. Customer engagement helps us to deepen our understanding of our customers and reinforce our relationship with them.

The Fund has a customer-centric business model, that has a balanced geographical spread across rural and urban areas, giving the Fund a significant presence across Uganda.



In 2017 we exceeded our targets of encouraging new members to join us as illustrated below;

2017	Actual	Target
Employer Registration	2,788	2,652
Employee Registration	149,358	124,500

Transparent communication is key in this regard. To achieve this, the Fund has set up a variety of channels to improve and facilitate dialogue with its members.

FACEBOOK

218,202 Page Likes
3,500,000 Campaign Engagements

TWITTER

49,093 Followers



A customer receives a gift hamper during Customer Connect Week

Member Satisfaction

NSSF annually measures customer satisfaction, as well as development of the company’s reputation and the factors that impact it, through the extensive and regular surveys. During the year 2016–2017 the Fund continued to be rated highly by the Members

2017	Actual	Target
Customer Satisfaction	92%	90%

Our Customer satisfaction rate improved to 92% in 2017 from 86% in 2016. This is attributed to improved service delivery, high interest rates paid to members and service quality. We aim to add value to our members by providing more products that will enhance their lives when they retire.

Member Relations

Our customer service department works with key contacts across the entire business to answer a wide range of member queries and complaints received. We also keep members updated with news about our business and answer queries through social media (Facebook, Twitter), and our branch network.

In 2017 we made a significant investment towards improving our Customer Service Centre in order to enhance our members’ experience. We prototyped the new Customer Service Centre as part of the initiative to establish premier service experience and standards.

Member Complaints

The Customer Service department is the first point of contact for escalated complaints from members who wish to comment on our products, services and operations or to make an inquiry. This process generates information that helps us understand and respond to emerging customer issues.

Customer Connect Week

During the year 2017 we held our fifth annual customer connect week, a week–long event where we celebrate the importance of customer service and the staff who support customers on a daily basis. We also use the connect week to re–affirm our commitment to provide the best service to customers.

The theme for this year’s customer connect week was “unlocking your potential”. It is clear that NSSF acts first and foremost in the interests of its members and the environment in which they live and work. The Customer Service, Marketing, and Business division coordinated the sustainability activities within the week. During this week, Heads of Department and staff who do not usually serve customers directly, help to handle inquiries.



walk-in customers in the space of one week
2016: 5000



"I don't take outstanding customer care for granted; likewise, acts of good service should be acknowledged!"

I appreciated the outstanding customer service that your staff provided me four weeks back, when I visited your NSSF, Mbarara branch, to claim my retirement benefits. Your NSSF Mbarara team is extremely awesome and their touch of communication is top notch!

Because of their effective efforts, I was able to receive my due benefits within a record period as they had confidently promised.

Dr. Muhumuza Ibra,
Satisfied Client.

The idea is to help Managers and staff become well acquainted with the issues the NSSF customers' service team face daily in dealing with real customers in real live scenarios.

Our objective is to demonstrate our commitment to provide great customer service, and to recognize the staff, as internal customers and a resource responsible for customer satisfaction.

Our external customer focus was also linked to the theme "empower the youth to unlock their potential" and hence our activities included;

- Financial Literacy Workshop for youths
- Visits and road shows to major employers
- Servant leadership; were all EXCO Members and Managers had to be at the forefront of serving customers
- Customer engagement and education using various communication channels

Annual Members Meeting

In 2017 we held our fifth annual members meeting which brought together over 1500 members and other key stakeholders including workers' unions' representatives, government representatives and members of the public. The Annual Members Meeting (AMM) was intended for the Board of Trustees to report on the performance of the Fund, communicate on the strategic road map of the Fund and to receive feedback in an interactive forum.

Member Awards

During the annual members meeting the Fund awarded employers for their compliance. We remain committed to rewarding our members who comply with the NSSF Act by remitting their employee contributions on time to the Fund. We shall continue to monitor employers who comply and develop new ways of rewarding them for their compliance in 2018

NSSF opens up to the Informal sector

During the year, the Fund opened up to the informal sector in order to increase its membership base and to enable more Ugandans benefit from the scheme.



92%

score in this year's customer satisfaction survey

2016: 86%



Mr. Stewart Obita, Board Member (L) and Mr. Richard Byarugaba (R), hand over a "Best Employer Award" to one of the winners



1500

members were in attendance during this year's AMM



Ushs 2.4 Bn

was collected through the voluntary membership scheme

Section 10 of the NSSF Act Cap 222, provides for the registration of voluntary employers and employees. This states that; “any employer who is not required by law to make NSSF payments may, subject to any prescribed terms and conditions, apply for voluntary registration as a contributing employer; and any eligible employee of such employer may thereafter apply for voluntary registration as a member of the fund”.

Section 10 (3) of the NSSF Act provides for voluntary contributions for members of the Fund in respect of whom standard contributions have ceased to be payable.

3,425 voluntary members were registered in the financial year which represented 69% achievement and the total amount of money collected was Ushs 2.4 Billion.

Members in attendance at the Annual Members Meeting eagerly await as the interest rate was being announced.

Evolving with You

in Human Resources and Administration



Our team's strategic focus is managing processes that influence human behavior and attitude. Through this we ensure our staff are engaged and feel energized and motivated to contribute to their best performance ability, every single day. Our priority focus areas are; Embedding a High-Performance Culture, Employee Development, Competitive Reward Systems, and Career Growth.

High Performance Culture

Our members and customers expect consistent delivery of superior returns and excellent service to them. This means we must leverage our performance management system to set ourselves stretch targets, provide our staff the requisite support infrastructure to enable them deliver, and hold ourselves accountable for delivering results. Our work culture focuses on agility, freedom to act fast, customer centricity, all underpinned by our Fund value of Integrity in all that we do. To further improve quality and speed of service to our customers, we are currently executing a project, Electronic Document Records Management System (EDRMS), through which we will ultimately become a 'Paperless' operation.

Employee Development

In a constantly evolving business context, we must equip our staff with new knowledge and skills, to enable

them continue to meet the business challenges of today and tomorrow. Leveraging our Learning Curriculum, we focus on Leadership Development and on Functional / Technical Competence Development. We have partnered with Strathmore University to deliver the NSSF Leadership Excellence Academy (LEA) to a cross section of our staff. Our e Learning platform, Desire2Learn, continues to enable us access rich learning resources from Harvard University, and other Regional soft skill sources. Ongoing learning, at Organizational and Individual levels, are a key indicator of our success

Career Growth

Well developed employees that consistently deliver high performance, must have room for growth, both within and outside the organization. In the past year, our promotions have been with suitably qualified internal candidates including at senior most management level like Deputy Managing Director, and members of the Executive Committee (Exco), among others. We also focus on gender diversity, to ensure we have more female staff, especially at the senior levels. Through our succession planning, we identify high potential talent and work to develop them for higher roles. This aspect of our Talent Strategy enables us keep our Employer Brand attractive in the market, as reflected by the top-notch talent we have recruited from leading International Employer Brands in the market, in the past year. It also helps us retain exceptional talent within the Fund. We bolster this with our newly introduced

Graduate Trainee program, to enable us tap and attract exceptional talent, to grow our talent pipeline

Reward and Recognition

Within the constraints of affordability, we aim to keep our employee total remuneration market competitive, performance driven, equitable, and with an appropriate mix between fixed pay and variable pay. We do external benchmarking through participation in the salary survey club, to know how our pay levels compare with peers. We do regular job evaluations, to ensure our job grades are accurately aligned against similar level jobs in the market. As a result of this, we are able to tell how we compare, on the basis of which we make appropriate pay decisions. The over-arching principle is that we pay for performance, with the best performers paid significantly higher than mediocre performers. We are investing more money on variable pay, to ensure our bonus schemes reward performance more visibly.

We believe satisfied, engaged employees will serve our customers better and thus drive our success higher. To this end, we annually do an employee satisfaction survey to get direct, confidential feedback from our staff. This enables us identify and address the key areas of concern while we guard the areas of strength.

Milton Owor
HEAD OF HUMAN
RESOURCES AND
ADMINISTRATION

A woman with dark hair in braids, wearing a bright blue blazer over a black top and a lanyard with a badge, is leaning over a white computer monitor. She is looking intently at the screen. In the foreground, another person wearing a red headscarf and a headset with a microphone is also looking at the monitor. The background is a plain, light-colored wall with a small electronic device mounted on it. The overall scene suggests a professional or customer service environment.

“Our members and customers expect consistent delivery of superior returns and excellent service to them. This means we must leverage our performance management system to set ourselves stretch targets, provide our staff the requisite support infrastructure to enable them deliver, and hold ourselves accountable for delivering results.”



At the Fund, individual commitment to group effort is what makes a team work

Our Employees

A motivated and diverse workforce, committed to continuous improvement, provides the right platform for the Fund's success. Our core values guide our employees in their day-to-day work. With a common way of thinking and working, every individual contributes by strengthening and improving how NSSF operates. Involvement inspires motivation and builds commitment.

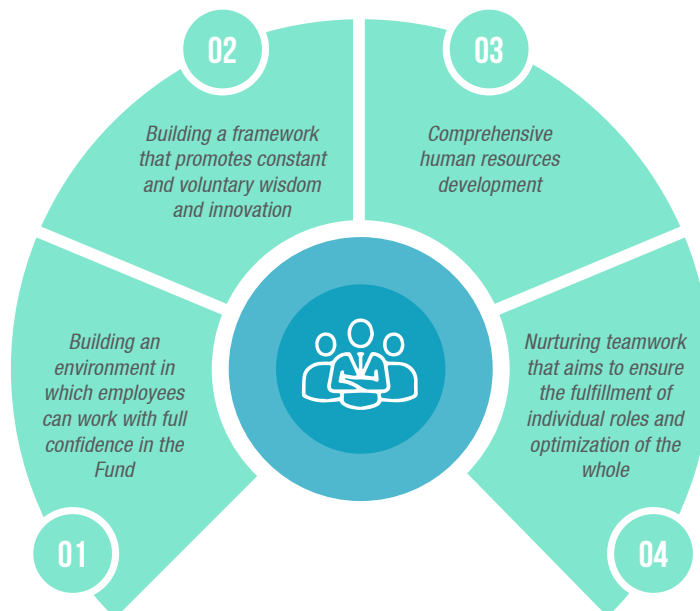
Our Approach

NSSF's philosophy regarding its employees, who support its stable base of business, has been systematically organized as the Fund Way in Human Resources Management. The goal of the Fund Way in Human Resources Management is the realization of management that shows respect for staff that is, providing all employees with opportunities to achieve social contribution and self-actualization through their work, and enabling them to exercise their abilities to think, be creative, and utilize their strengths to the maximum extent possible.

For this goal to be achieved, a partnership model is essential, in which the company gives the highest priority to having the right employees in the right positions. NSSF believes that these initiatives will not only lead to the realization of management that shows respect for staff, but also to customer satisfaction.

At the end of 2017, we had a workforce of almost 416 colleagues, an increase from the previous year largely due to organizational change.

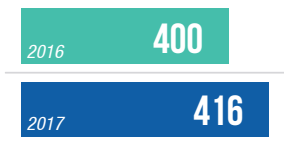
Fig 2: The Fund Way in Human Resources Management



- **Purpose:** Realization of management that shows respect for people
- **Principle:** Partnership model is essential, in which the company gives the highest priority to having the right employees in the right positions



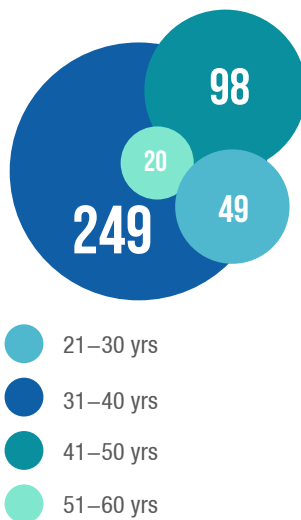
Number of Staff



Gender Diversity



Age Distribution



Human Capital Distribution

The Fund has an open attitude to diversity, which is one of the core principles guiding our operations. The goal is to avoid any instances of discrimination due to gender or sexual orientation, religion and age.

Our recruitment and selection process is done in a way that promotes professionalism and equality and all our appointments are based on merit. Gender diversity is of importance to us. Of the 416 staff compliment during the reporting period, 227 were male (55%) and 189 were female (45%).

Employee Engagement

Employee engagement is a broad measure of staff commitment and motivation at work. High levels of engagement help us attract and retain talent, deliver our goals and objectives, and help colleagues feel involved in the things that matter to them at work.

An employee satisfaction survey conducted in FY2016/2017 indicated a 84% percent satisfaction rate.

During the year 2016–2017 the Fund carried out the activities below towards staff engagement;

- An annual staff conference
- An annual end of year staff party.
- Departmental/ sectional team building activities held for staff to interact with their colleagues away from the day to day office activities.
- The annual sports day event which allows all staff to meet, take part in fan activities and also get to know their colleagues that work in far off regions of the country.
- The annual employee connect week which is designed to help management to interact with employees and create rapport that is necessary to move the fund forward and also achieve the set out targets.

Employee Communication

Proactive communication with our employees enhances their job satisfaction and productivity, while minimizing turnover within the company. We maintain an open dialogue with our staff in order to understand their needs, identify their concerns and respond to their expectations.

In 2017, the Fund executive management made a concerted effort to reach out to all colleagues in a direct and timely way through staff conference calls, emails, and the annual staff conference which is an opportunity for staff from across all departments to engage the executive management and share experiences on ways to collectively grow the Fund.



NSSF staff cutting a cake at the end of year christmas party



9yrs

are the average years of service for our staff



A member of staff showing off his award of recognition for outstanding service



25%

of the workforce has signed up for the aerobics program since July 2016

Employee Retention

A stable workforce contributes to our aim of meeting our business objectives, as it results in lower employee turnover and stabilizes production. We focus on having positive and open relationships with our employees and Labor unions. By fostering conversation, we understand and are able to address grievances before industrial action. We want to create workplaces where employees feel safe, respected and valued.

Years of service	1–4	5–8	9–12	13–16	17–20	<21
% of employees	31%	10%	49%	5%	3%	2%

NSSF's successful employee retention is evident from our employees' length of service. The average tenure of our employees is about 8 years and more than 68% of our employees have been with the Fund for more than five years.

Remuneration and benefits.

Our remuneration targets a fair human resource management by using a performance based system. Our salary policy is the same in all branches and service points for all levels. There is no incident of discrimination in terms of remuneration provided to male and female employees.

The incentives offered by the Fund to employees at different levels include;

- Performance– based pay,
- Flexible working hours (Breast feeding hour for mothers),
- Medical Insurance.
- Staff Provident Fund
- Gratuity
- Paid Leave
- Mortgage Benefit
- Education Benefits (Professional Courses).

Health, Safety and Wellbeing

Ensuring employee safety and health is one of Fund's most important business activities. We have undertaken to insure against accidents that occur both at home and at the work place. This insurance helps the employees to be able to afford medical coverage that is beyond the basic medical insurance offered.

The Fund recognizes that the loss of an employee is not only a personal and family tragedy, but it directly impacts on the organization in terms of medical costs, retraining, recruitment and productivity. We therefore implement policies with key underlying principles namely: non–discrimination, confidentiality, access to HIV testing & treatment, promotion of prevention of new infections, treatment, care and support at the work place.

We recognize HIV/AIDS as a workplace issue, which should be treated like any other serious illnesses/conditions in the organization. We therefore aim to prevent further spread of HIV, fight stigma at the workplace, encourage our staff to practice responsible behavior and we commit to take appropriate care for our employees who are infected and affected with HIV/AIDS.





*NSSF senior management
at their graduation
ceremony after a
leadership training with
Strathmore Business
School*



400

*employees were
enrolled for the
e-learning program as
of June 2017*



9.8%

*of the workforce was
promoted in 2017*

We also have a security section which addresses and verify security risks and reduce them to the lowest level reasonably possible. To further strengthen individual based safety during the year, fire marshal drills were carried out.

Physical Fitness Program.

The Fund has a wellness and fitness program that is aimed to enhance our commitment to our employees' physical wellbeing. This is meant to compliment the medical insurance benefit that we are already providing. We believe that a healthy employee begins with what they eat and how they exercise and this translates into their productivity at the workplace.

Employee Counseling Services

In addition to the counseling services the Fund has been receiving under the medical insurance cover, the Fund during the year rolled out Counseling Services for staff. A renowned team from Healing Talk Counseling Services were acquired under a competitive procurement process. These services and the counselors are available every last Friday of each month at Headquarters and at their offices at Akamwesi House in Nakawa.

Personal Development and Training

Knowledge and skill development is a continuous process to keep our employees abreast with all the latest developments in the pension sector, the Fund continues to organize training and workshop to the officers and executives in an effort to improve their professional efficiency. The Fund always lays the highest importance on training of its employees as a continuous process of human resources development.

Performance management

Organizational, departmental and individual performance targets are set at the beginning of each financial year. Performance against targets is evaluated on a quarterly basis and staff are given regular feedback to ensure they realize their full potential while achieving and exceeding the targets.

Human Rights and other Labor issues.

In 2017, no incident of discrimination and violation involving human rights was recorded. For building awareness regarding human rights among the employees in the Fund, National Social Security Fund has a;

- Anti-sexual Harassment policy
- Anti-discrimination policy.



The Fund has contributed immensely to the economic growth of the country in various ways

Economic Contribution

National Social Security Fund has directly and indirectly created hundreds of opportunities for Ugandans through its investments. Suffice to say the Fund has played a critical role in Uganda's economy through fixed deposits to Commercial Banks which is critical for credit financing, financing 40% of government debt through its investment in Bonds issued by the Central Bank and purchase of company equities listed on the Securities Exchange.

The Fund is able to make a valuable contribution to the economy by giving high interests to members, salaries to our employees, payments to our suppliers and tax revenue to the government. We believe our continued success cannot be separated from the responsibilities we have to our customers, employees and other stakeholders.

Ushs 
2.7 Tn

was invested in real estate, stocks, bonds and other financial securities

Value added Statement

The value added statement shows the total wealth created and how it was distributed among the key stakeholders. The stakeholders include the members, government, and NSSF employees as shown below;

- Ushs 681 Billion was distributed to our members as a return on their savings in 2017 compared to Ushs 597 Billion in 2016.
- Ushs 43 Billion was paid as salaries and wages to our staff in 2017 compared to Ushs 38 Billion in 2016.
- Ushs 131 Billion was paid to government as tax in 2017 compared to Ushs 102 Billion in 2016

One of the Fund's recently completed real estate projects in Jinja

Value Addition Statement for the Year Ended 30 June 2017



Ushs

131 Bn

*was paid in taxes during
the financial year*

	2017 Ushs'000'	2016 Ushs'000'	2015 Ushs'000'
Investment Income	845,471,620	707,989,927	583,156,291
Other Income (Loss)	27,168,320	29,878,904	169,776,564
Net Increase in Value of Investments	46,425,968	(64,051,696)	54,092,085
Less Expenses (Excluding staff costs & Depreciation)	(48,169,721)	(37,055,467)	(34,603,878)
Wealth Created	870,896,187	636,761,668	772,421,062

Distribution of wealth created to stakeholders (Amounts)

Members (Interest credited to accounts)	681,404,864	597,285,997	521,769,156
Employee Salaries, Wages and Other benefits including	42,590,308	38,347,611	30,620,840
Government Direct Tax	130,637,624	102,331,080	90,433,851
Retained Earnings for Future growth	11,003,211	(105,842,347)	126,013,167

Distribution of wealth created to stakeholders (Percentage)

Members (Interest credited to accounts)	79%	94%	68%
Employee Salaries, Wages and Other benefits including	5%	6%	4%
Government Direct Tax	15%	16%	12%
Retained Earnings for Future growth	1%	-17%	16%

6,000
Jobs Created

33%
of National Domestic Debt

2017: Ushs 4.0 Trillion
2016: Ushs 3.3 Trillion

Ushs 2.6 Trillion
Regional Investments

2017: Ushs 2.6 Trillion
2016: Ushs 1.5 Trillion

2%
Impact on
Cost of Lending

Ushs 131 Billion
Government Taxes

2017: Ushs 131 Billion
2016: Ushs 102 Billion





Every year the Fund holds the annual suppliers Forum where we get to engage and share ideas about procurement processes with suppliers

Our Suppliers

Suppliers are a key stakeholder for any sustainable business providing both services and products. The Fund works to create value through collaboration with suppliers and strives for fairness in all interactions with them.

Our Approach

The Fund aims to work with our suppliers who act in an ethical and responsible way. The process for supplier selection and authorization includes checking the ongoing suitability of existing suppliers and we take in account their compliance with statutory regulations which includes paying Taxes and NSSF for their employees. We have a controlled process for managing the proposals received from suppliers to prevent any supplier getting an unfair advantage, including scoring of suppliers' proposals.

A competitive procurement of goods and services is exercised at all times by the procurement committee and fairness is always maintained.

Responsible Purchasing

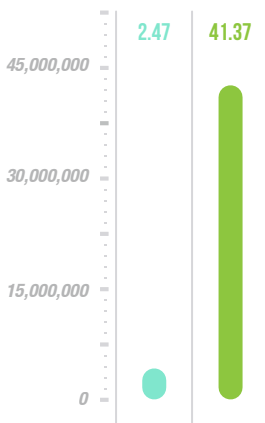
We require all staff negotiating with suppliers to abide by our manual of conduct in supplier relationship which includes the need to be professional and unbiased in all dealing, to avoid conflict of interest and to maintain confidentiality of information.

During the year 2016–2017, our procurement of goods and services was more favorable to local suppliers than foreign ones. With the Fund spending Ushs 41.37 Billion on local suppliers compared to Ushs 2.47 Billion spent on foreign suppliers. Our aim is to support the business in the community in which we do business.

Responsible Payment


We aim to pay our suppliers in line with agreed payment terms and our standard terms are 30 days. During the financial year 2016/2017, over Ushs 32 Billion was paid to suppliers. NSSF is a stakeholder in the PPDA act which encourages the organization to; Pay suppliers on time, give clear guidance to suppliers on payment procedures and encourage suppliers to adopt good practice with regard to their supplier payments.

NSSF Supplier Expenditure (Foreign V. Local) in Millions



Key

- Spend on Foreign Suppliers
- Spend on Local Suppliers

Ushs 
43.8Bn

*was paid to suppliers
during the financial year*



76.8%

*of our suppliers
in 2017 were
satisfied with the
Fund's procurement
processes*

Annual Supplier Conference

In an effort to enhance awareness regarding the compliance requirements of the PPDA Law, as well as sensitization about the Fund's procurement and payment processes, the Procurement and Disposal Unit (PDU) organized its 2nd Annual Suppliers Forum that took place on 29th June 2017 under the theme "Supplier Collaboration and Empowerment". It attracted over 170 participants from both existing and potential suppliers of the Fund.

The event aims at recognizing the contribution of suppliers to the growth of the Fund as a business and development of competent suppliers. The forum discussed common mistakes that affect the award of tenders and the quality of products and services supplied to the Fund.

At the end of the forum, a supplier survey was conducted in which the Fund scored 76.8% satisfaction rating.

*Head of IT, Mr. Elijah
Kitaka addressing
suppliers at the annual
forum*





At the Fund, government and regulators are very crucial to the way we run our business

Government and Regulators

Governments and regulators are tasked with formulating and enforcing the rules and regulations that shape the environment in which we operate. In this process, we have a responsibility to share our knowledge and expertise to help public officials develop practical solutions which meet their policy objectives.

NSSF is committed to full compliance on all applicable legal requirements enforced by governing authorities such as Uganda Retirement Benefits Regulatory Authority, Ministry of Finance, Public Procurement and Disposal Act (PPDA) and Financial Intelligence Authority.

Our Approach

During 2017, we continued to ensure that all our activities and operations comply with the existing legal and regulatory requirements through constant monitoring, evaluation, timely reporting and auditing of all our operations. Management had several interactions with Parliament, Ministry of Labor and Gender, PPDA and URBRA on issues including, investments, procurement and engaging stakeholders concerning the Liberalization bill that was debated in Parliament.

The Uganda Retirement Benefits Regulatory Authority (URBRA)

The Fund is regulated by the Uganda Retirements Benefits Regulatory Authority (URBRA). The authority was established by the URBRA Act 2011 to regulate the establishment, management and operation of retirement benefits schemes in Uganda.

URBRA's mandate includes licensing and supervision of retirement benefits schemes, plus protecting the interests of members and beneficiaries of the schemes.

The Fund and its Trustees are fully licensed, and as a licensed regulated entity, the Fund files regular performance and compliance reports to URBRA.

Financial Intelligence Authority (FIA)

This authority was established by the Anti Money Laundering (AML) Act 2013 (as amended in 2017) with the objective of identifying the proceeds of crime and combating money laundering. FIA achieves this by analyzing, processing and interpreting information disclosed to it or obtained by using the powers given to it by the Act.

During the FY 2016/17, the Fund registered as an accountable person and it appointed an Anti-Money Laundering Officer to ensure full compliance with the requirements of the AML Act and FIA.

The Fund has trained its staff to comply with the AML Act, files regular returns to the FIA and carries out regular risk assessments of the voluntary contributions collected.



The Fund has a WhatsApp number 0784259431 used as an alternative communication channel for our social media platforms

Evolving with You

in Marketing and Communications



The Operations department serves as a key cornerstone to the delivery of an exemplary customer experience. Our support extends through the entire lifetime of the customer with the Fund, from their first interaction at registration to the point of receiving their benefits.

We have further developed an initiative to provide continuous financial literacy even after retirement.

Only through interdepartmental team work and working closely with our customers and external partners have we managed to bring the Fund closer to its dream of being the social security provider of choice.

Our efforts of streamlining our business processes, implementing new systems, and leveraging on our data to better understand the needs of our customers have resulted in an improvement on the

payment of benefits to our customers to an average of 10 days.

As we move towards achieving our 2025 strategic goals, we plan to continue our adoption of new and innovative technologies that will improve our efficiency and customer experience.

Data analytics will serve as a central tenet in helping us achieve our goals and create a more personalized interaction with our customers.

Barbara Arimi
HEAD OF MARKETING AND COMMUNICATIONS





“Today’s members are faced with a dynamic environment which presents its own set of opportunities, challenges and dictates new social security needs”





NSSF staff on a tour of the Intensive Care Unit at Kiruddu Hospital during Customer Connect Week

Corporate Social Responsibility

The Fund endeavors to give back to communities in a structured and sustainable manner which ensures a maximum positive impact to our beneficiaries and the societies they serve.

Several philanthropic initiatives were carried out to ensure that the Fund participates fully in various socially relevant endeavors specifically directed at education, poverty alleviation, health care for the disadvantaged and environmental conservation in line with the United Nations Sustainability development goals.



A man donates blood during the NSSF Annual Blood Donation Drive

NSSF Blood Donation Drive

Our Rationale:

According to World Health Organization, Uganda needs approximately 1,000 units of blood every day. This brings our annual requirement to 340,000 units, however only 200,000 units are collected each year leading to significant blood shortages. Without blood, hospitals around the country cannot carry out life-saving operations. The main cause of this shortage is a population that is generally reluctant to donate blood. Only 1% of Uganda's population that is eligible to donate blood regularly do so.

The Initiative

In an attempt to change this attitude, the Fund in partnership with Uganda Blood Transfusion Services (UBTS) has organized Annual Blood donation drives for the last 8 years. This year the exercise was held in 18 locations countrywide including Kampala, Entebbe, Mbale, Mbarara, Gulu, Arua, Fort Portal, Jinja, Mukono, Kabale, Masaka among others. Our target for this drive was to collect at least 4500 units of blood in addition to increasing the awareness of this shortage and its consequences.

Impact

This exercise was conducted for one week and approximately 6,000 units of blood were collected countrywide. This amount of blood is estimated at being sufficient to save 3,000 lives. NSSF staff and members participated in this exercise along with the general public. The thought of having helped in saving another life is simply fulfilling.



6,000

units of blood were collected in the space of one week
Target: 4500 units



Approx. 350
people can be saved by the amount of blood collected



“

The support that we received from NSSF helped us take the message out of office and into the field through radio interviews, talk shows and announcements. This helped drive the message on the benefits of blood further to potential donors hence the surplus.

**Michael Mukundane, UBTS
Coordinator for the Central
Region**



Mrs. Dorothy Kyeyune, Director, Uganda Blood Transfusion Services addressing press during the launch of the NSSF Blood Drive. On the left is Mr. Patrick Ayota, NSSF Deputy MD.



NSSF Marketing & Communications Department received an award for Best Media Campaign for the NSSF Blood Donation initiative at the PRAU Excellence awards



Participants at the NSSF Kampala Hash Seven Hills Run during an aerobic session

NSSF Kampala Hash Seven Hills Run

Challenge

Kampala City Council Authority has a total of 79 Government Grant Aided Primary Schools in the City with a total enrollment of close to 70,000 pupils. Approximately 90% of these schools require total refurbishment. Six of these primary schools are roofed with asbestos sheets and need urgent replacement to protect the pupils from exposure to potentially cancerous radiation. With the current budget allocation of about Ushs 500 Million, KCCA can only afford to refurbish one school every year.



1,500

runners took part in this year's marathon

Initiative

The National Social Security Fund (NSSF), together with Kampala Capital City Authority and Kampala Hash House Harriers, launched the second edition of the NSSF Kampala Hash Seven Hills Run aimed at raising Ushs 200 Million to renovate public schools in Kampala. Through this initiative, our agenda is to support education by helping provide a quality learning environment for thousands of underprivileged pupils in our society.

Impact

The initiative raised Ushs 132 Million. The proceeds from the run went towards renovation of Makerere primary school, Summit View Army Primary school, and completion of works at Nakivubo Settlement Primary School. The population of pupils attending these schools is estimated at 3,000



Our Deputy Managing Director, Mr. Patrick Ayota, crowning one of the winners at the run

Ushs 
132 Million
 was raised from this
 years initiative


 Approx. **10,000**
 children will be provided the
 best learning environment
 they deserve



Participants being flagged off at the start-off point at Pearl of Africa School, Nsambya for the NSSF Kampala Hash 7 Hills Run.



“

With support from partners such as NSSF, we are confident that we will be able to improve all our schools and provide our children with the best learning environment which they deserve

Jeniffer Musisi
 Executive Director,
 KCCA



KCCA Executive Director, Jeniffer Musisi unveiling one of the schools renovated with the proceeds from the Run



Head of Marketing and Communications, Barbra Arimi (L), shaking hands with KAVC's Sadiq Nasiwu at the launch of the 2017 NSSF KAVC International tournament

KAVC Tournament

Challenge

Sports is a vital component for the health and entertainment of our society. It helps channel youthful energy into productive habits and also enhances leadership skills and teamwork among the participants. It is vital for our gifted athletes to receive international exposure for them to attain their full potential and become more competitive. Various amateur sports federation find significant challenges in attaining funding for events that provide such exposure.

Ushs 80 Million
was donated as part of the sponsorship deal

Initiative

The Fund has sponsored KAVC Memorial for more than nine years. This international tournament is organized by Kampala Amateur Volleyball Club (KAVC), Our sponsorship package this year amounted to Ushs 80 Million. In addition to offering international exposure to our gifted youngsters we also witnessed increased levels of during the tournament.

Impact

29 teams from Tanzania, Burundi, Kenya, Rwanda and Uganda participated in this tournament providing international exposure to approximately 232 youth from all over Africa.



Kenya's Aspire Team, the defending Champions of the KAVC tournament, cheering on their team mates



“

The KAVC club and the volleyball fraternity are grateful to NSSF for its commitment to volleyball, which has contributed to improvement of the overall standard of competition. This tournament has provided the clubs in Uganda a platform to compete against regional top teams. It is no wonder that our performance on the continent continues to improve. The KAVC family is indebted to NSSF and we promise to organize a credible and competitive tournament.

Amon Ainebyoona.
President,
KAVC



Rwanda's Inatek, men's defending champions strategize on how to win the game



Uganda's KAVC team in action during the tournament



Mike Chibita, Director of Public Prosecutions (R) hands over a dummy cheque to one of the winners of the NSSF Torch Awards

NSSF Torch Awards

Challenge

Our communities continue to face significant challenges in meeting the health and education needs of their populations. They also struggle in economically empowering their youth and other disadvantaged groups resulting in a vicious circle of collective poverty. To deal with this situation a collective voluntary effort by motivated individuals and organizations must be involved in creating viable community based solutions. Many individuals and organizations have responded to this noble cause and deployed their humble resources accordingly. However, this is not an easy challenge and they need constant encouragement and support to enable them sustain this noble cause in the long-term. The NSSF Torch awards initiative was launched to provide encouragement and support to such volunteers.

Initiative

In October 2012, NSSF launched Torch Awards, an initiative through which the Fund will implement its Corporate Social Responsibility (CSR) agenda, to support projects run by institutions or individuals that have transformed communities and made a positive impact through those projects.

Five projects were selected out of over 300 proposals that were received from all regions of Uganda. The institutions that submitted project proposals fulfilled the following criteria;

- Not-for-profit projects; institutions running the projects should not be doing so with the aim of deriving profits
- Should impact/ benefit the wider community
- Should not be funded by charities, local or international
- Projects must be run by local, community based organizations

Ushs 80 Million
was rewarded as prize money to five of the most outstanding community outreach programs



“

It is gratifying that entities such as NSSF are getting involved in supporting community projects, not just here in Kampala, but also across the country.

Over the last 3 decades, the Government of Uganda has implemented numerous projects, not only to uplift our communities from poverty, but also to empower them, these efforts are bearing fruit, evidenced by the reduction of the proportion of the Ugandan population living below the national poverty line from 31.1% in 2006 to 19.7% in 2013, according to the 2016 Poverty Assessment by the World Bank.

Hon. Ruhakana Rugunda
Prime Minister,
Uganda

Impact

The Fund awarded Ushs 80 Million to five outstanding community projects and for the first time recognized two journalists whose excellent reporting was a catalyst for change in society

Child Health Education Empowerment and Rehabilitation Uganda (CHEER) walked away with Ushs 20 Million as the overall winner under the health category. CHEER Uganda offers support for rehabilitation of children with physical disabilities.

Other winners included; Kyaninga Child Development Centre from Western Region, Help Disabled Children Excel (HEDCHE) from Northern Uganda, Youth at Work Initiative (YAWI) from Central Region. These all got Ushs 15million respectively. In the media category, Robert Mwanje of BBS TV scooped the award for overall winner and also got a lap top and professional camera, while Malcom Musiime of NTV emerged as 1st runners up and won a lap top.

We believe the nominees and winners left the event motivated to continue the good cause to which they have already dedicated a lot of time.



Head of Marketing and Communications, Ms. Barbra Arimi (R), hands over a prize to one of the winners



During Customer Connect Week, the Fund offered free vaccination services, Hepatitis B testing and other health checkups

Other Community Initiatives



1,000

people were given the yellow fever vaccine

Challenge

Health care is a fundamental aspect of social security and is an essential need of every society. In this sense, everybody is entitled to medical services to live a better life. However medical equipment is quite expensive and in many instances our communities are unable to access quality medical attention due to outdated or unavailable medical equipment. Healthy communities are productive it is critical that our members live long enough to enjoy the fruits of their savings.

Initiative

NSSF staff were directly involved in a week long exercise of community based activities known as the customer connect week. This year's activities were directed at addressing the health challenges faced by our communities. NSSF donated health equipment to various communities throughout this week.

Impact

The National Social Security Fund (NSSF) kicked off its CSR week, with a donation to the Uganda Heart Institute (UHI) at Buganda Road play grounds. The Uganda Heart Institute is the only center in the country with diagnostic, intervention, and surgical treatment facilities for children with heart disease. It is estimated that annually about 8,300 children are born with congeNITA–UI heart diseases in Uganda. Of these, 2,000 are severe enough to require cardiac interventions.



NSSF members attending the financial literacy session during the Customer Connect Week

Ushs

370 Million

was donated in form of medical equipment from the Fund's various regional branches

Besides the Uganda Heart Institute, other outreaches by the Fund included;

- Kawaala Health Centre where medical equipment worth Ushs 74.8 Million was given to its maternity and post-natal facility.
- Masaka Regional Referral Hospital received Ushs 53.2 Million for the Neonatal Unit. The CSR involved donating medical equipment to include an incubator, oxygen concentrator and electric suction machine, among others.
- Soroti Regional Referral Hospital received Ushs 76.6 Million for the renovation of the maternity ward and hospital beds.
- Hope for Humans, an NGO in Kitgum that supports communities with nodding disease, received Ushs 66.7 Million.

In total, medical equipment worth Ushs 370 Million was donated. We believe this equipment will go a long way in contributing to the health, longevity and productivity of our communities. We shall continue reach out to local people and communities by improving available health infrastructure and provision of medical aid.



“

Space and funding have been some of the challenges in executing better services but improving our health system calls for a collaborative approach with the government, and today's gesture by the NSSF is a welcome call

Dr. John Omagino
Director,
Uganda Heart Institute.

Richard Byarugaba listens in to one of the doctors at Kiruddu Hospital explaining how the ICU equipment works





Students from various Universities attended the NSSF Daily Monitor Career Expo

NSSF–Daily Monitor Career Expo

Challenge

A career choice is one of the most important decision anyone can make during their life. Unfortunately, many young people are clueless about the opportunities available and how to exploit these opportunities. With a little help, many can be pointed in the right direction enabling them to choose a path that will help them live a productive life and save for their retirement.



11, 500

students were in attendance across 11 Universities across the country

Initiative

The National Social Security Fund (NSSF) in partnership with the Monitor Publications Limited (MPL) launched the annual Career Expo hosted by 11 universities across the country. Through the career expo, opportunity is provided for students to explore career options and gain information that can help them make informed career decisions as they prepare for a life after university.

Impact

The expo was attended by approximately 11,500 university students. A number of human resource consultants, recruitment agencies, human resource managers of a number of top employers in Uganda, and other seasoned public speakers were lined up as guest speakers. This forum provided a perfect meeting point for the future workforce and potential employers and mentors.



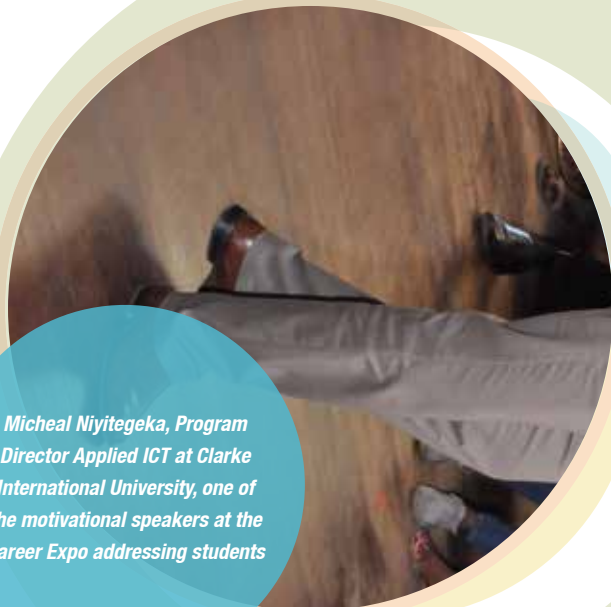
Students from various Universities got to engage with employers and entrepreneurs from reputable organizations



“

As Monitor Publications, our media platforms have unmatched appeal across the country, so this partnership with NSSF gives us an opportunity to help more university students gain access to professional career advice so that they are better prepared to take advantage of any employment opportunities in the market

Tony Glencross.
Managing Director,
Monitor Publications



Micheal Niyitegeka, Program Director Applied ICT at Clarke International University, one of the motivational speakers at the Career Expo addressing students



Mr. Muhereza Kyamutetera, CEO Firm Communications interacting with students during a session at the career expo.



Protecting The Environment

Saving our environment, lifting people out of poverty, advancing economic growth are some of our visions for the communities we operate in.

Like all businesses, we are reliant on a range of natural resources to carry out our operations. We recognize that there are limits to these resources and that, as a sustainable business, we need to operate within those limits. And in line with our values and principles, we also have an obligation to protect the environment on which we all depend.

This is why we are working to combat climate change; taking a sustainable approach to waste management; and minimizing our use of resources across our business, guided by our Energy management policy.



NSSF Chief Financial Officer planting a tree during Customer Connect Week

Our Environmental Responsibility

Our Approach

We recognize Energy and water Management as one of the highest corporate priorities and key determinant to sustainable development within the Fund. The Fund is committed to continual improvement of energy and water management through prevention of wastages and compliance to local and national legislative and regulatory requirements.

Our environmental management policy is administered by our Maintenance manager assisted by all staff members. Employees and contractors are responsible for performing their jobs in accordance with this policy and all other applicable NSSF policies.

Climate Change

Climate change is widely regarded as humanity’s greatest challenge¹. If left unchecked, global atmospheric temperature is forecast to rise between 1.1°C and 4.8°C by the end of this century. The UN Intergovernmental Panel on Climate Change’s 2013 report states that warming of the climate system is unequivocal, and it is extremely likely that human influence has been the dominant cause of observed warming since the mid–20th century.

The Fund’s overall strategy for addressing climate change involves;

- Reducing energy consumption
- Increasing energy efficiency,
- Having green operations. The NSSF green initiative includes enhancing its on line E channels and ensuring paperless business.

Direct Greenhouse Gas Emissions

Our direct greenhouse gas (GHG) emissions encompass energy consumption (electricity, diesel, and oil), and refrigerant leakages. The biggest source of direct GHG emissions is from the energy used in our buildings for example electricity, and reducing energy consumption is a priority for reducing the emission through;

- Encouraging staff behavior change
- Increased use of day light



10.9%

reduction in Workers House energy consumption from Ushs 91 Million in June 2016 to Ushs 81 Million in June 2017



10,500kg

*total amount of paper
used by our staff*



25kg

*paper consumption per
staff member*



34%

*increase in water
consumption at Workers
House*

- Increased de-lamping especially in tenants 'offices.
- Improved lighting controls such as occupancy sensors and day-light level sensors
- Use of variable frequency drives on the lift motors.

Energy Management

Electricity is the major source of energy supply to buildings owned by the Fund. This electrical power is supplied directly to the buildings by an 11kV UMEME distribution feeder.

The Transformers are connected such that each transformer supplies a particular load. Transformer 1 supplies the Lift system and part of the Chillers. Transformer 2 supplies the Building (Lighting and office equipment). Transformer 3 supplies the Chiller system. Electrical power consumption on each floor constitutes mainly lifts, Air Conditioning, Lighting and electrical appliances like boilers for tea and computers, printers, IT servers. The Energy Audit Team therefore set-out to focus on these main areas and identify saving opportunities.

All our branches have been designed to utilize maximum usage of natural lights, which reduces energy consumption substantially compared to other conventional building.

We reduced our energy consumption bill of Workers House by 10.9% in June 2017 by carrying out the activities below;

- Carried out awareness of energy management systems among all employees, tenants and associates.
- Run most of the electricity heating/cooling equipment (e.g. fans and dryers) during off-peak and shoulder hours.

Paper Consumption

During the financial year 2016/17, NSSF recorded all paper used in offices including printed matter, envelopes and communication material in order to present a complete picture of all paper goods used. Total consumption of paper for all staff amounted to 10,500 kg while consumption per employee was 25 kg.

In the coming year we will:

- Continue our ongoing focus to reduce paper usage.
- Keep promoting and developing our e-channels to reduce statement printing.
- Continue striving to have a paperless office by automating our record management process.

Water Management

The Fund uses the water cooled chiller system for air conditioning. In this type of systems, chilled water is typically distributed to Heat exchangers, or coils, in Air Handling Units or other types of terminal devices which cool the air in their respective space(s). The water is then re-circulated back to the chiller to be cooled again. These cooling coils transfer sensible heat and latent heat from the air to the chilled water, thus cooling and usually dehumidifying the air stream.

Total water consumption in Workers House was up by 34% in June 2017 due to increase in the occupancy rate. Water consumption includes usage in kitchens, toilets and laundry activities.

Waste Management

Our waste management process involves dealing with the waste generated from day to day operational activities, food consumption, physical wear and tear of computer and office equipment, obsolete furniture and fixture and newspapers. Being a financial institution, the Fund does not deal with any hazardous waste.

Our waste is managed in the following ways;

- Both sides of papers are used and wasted papers are collected using bins after shredding
- Toner, cartridges and newspapers disposed off through community cleaners.
- Human waste from buildings owned by National Social Security is managed by Kampala City Council..



www.nssfug.org



/nssfug



nssfug



0800286773 TOLL FREE LINE

e-Collection Employer Portal

The simpler way to pay your NSSF Contributions.

The new **e-Collection Employer Portal** has made contributions payment easier by enabling employers to **DIRECTLY** submit their contributions schedules to NSSF online.

Simply visit <https://ecollection.nssfug.org>, and follow the steps below:

Step 1: Login with your account details (obtain from NSSF)

Step 2: Download a template and make a contributions schedule for your employees.

Step 3: Initiate the NSSF Payment.

Step 4: Print out the Transaction Reference Number (TRN) obtained

Step 5: Present the TRN together with the payment to your bank of choice.



Global Reporting Initiative

Reporting in accordance with the GRI Guidelines

This Report is aligned with the Global Reporting Initiative's (GRI) G3.1 Sustainability Reporting Guidelines. The index below gives full details of reporting against GRI disclosure profiles.

Key

- Full reporting
- ◐ Partial reporting
- ⊗ Don't report, not considered to be of material importance
- × Don't report, confidential information
- Don't report, will consider

Profile Disclosure	Description	Level of Reporting	Cross-reference/Direct answer	Page Reference
1. Strategy and Analysis				
1.1	Statement from the most senior decision maker of the organization.	●	Managing Director's overview	19–22
1.2	Description of key impacts, risks, and opportunities.	●	Our Business Model National Social Security Fund Annual Report 2017	31–32
2. Organizational Profile				
2.2	Products, and/or services.	●	Our Business National Social Security Fund Annual Report 2017	7
2.3	Operational structure of the organization.	●	Governance Structure National Social Security Fund Annual Report 2017	86
2.4	Location of organization's headquarters.	●	Registered Office: Workers House	iv – v
2.5	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.	●	National Social Security Fund operates solely in the Uganda	iv – v

Profile Disclosure	Description	Level of Reporting	Cross-reference/Direct answer	Page Reference
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries).	●	Our Business Model National Social Security Fund Annual Report 2017	31–32
2.8	Significant changes during the reporting period regarding size and mode of operation.	●	Business Strategy Initiatives implemented	29–36
2.9	Awards received in the reporting period.	●	Awards received (as well as other instances of recognition).	119–120
3. Report Parameters				
3.2	Date of most recent previous report.	●	National Social Security Fund's Sustainability Report was last published in June 2016	
3.3	Indicate whether the Chair of the highest governance body is also an executive officer.	●	The Chair of the Fund's Board, is a non-executive officer. National Social Security Fund Annual Report 2017	88
3.4	State the number and gender of members of the highest governance body that are independent and/or non-executive members.	●	National Social Security Fund Annual Report 2017	87
3.5	Processes in place for the highest governance body to ensure conflicts of interest are avoided.	⦿	National Social Security Fund Annual Report 2017	97
3.6	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.	●	Board Performance and Evaluation National Social Security Fund Annual Report 2017	98
3.7	Process for determining the composition, qualifications, and expertise of the members of the highest governance body and its committees.	⦿	National Social Security Fund Annual Report 2017	89
3.8	Basis for identification and selection of stakeholders with whom to engage.	●	Our Approach to Sustainability	113
4. Market Presence				
4.1	Standard entry level wage by gender compared to local minimum wage at significant locations of operation.	●	NSSF only operates in Uganda and complies with Uganda legislation. As such this indicator is not considered material.	iv – v
4.2	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation.	●	NSSF only operates and recruits in the Uganda, as such this indicator is not considered material	iv – v
5. Indirect Economic Impacts				
5.1	Understanding and describing significant indirect economic impacts, including the extent of impacts.	●	Delivering stakeholder value	121–137
5.2	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, and other community investments, and payments to members	●	Economic Contribution	133–134
6. Water				
6.1	Water sources significantly affected by withdrawal of water	⦿	NSSF is not a major user of water, and while it is developing its reporting in relation to water, this indicator is not currently considered material to the business.	158
6.2	Percentage and total volume of water recycled and reused.	⊗	NSSF is not a major user of water, and while it is developing its reporting in relation to water, this indicator is not currently considered material to the business	158

Profile Disclosure	Description	Level of Reporting	Cross-reference/Direct answer	Page Reference
7. Biodiversity and Environment				
7.1	Total water discharge by quality and destination.	●	This indicator considers the scale of impacts associated with the organization's discharge. NSSF is not a major user of water. This indication is not currently considered material to the business	158
7.2	Initiatives to provide energy-efficient or renewable energy based products and services.	●	Environment Management	158
7.3	Energy saved due to conservation and efficiency improvements	●	Environment Management	158
8. Compliance				
8.1	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	●	Government and Regulators	137
9. Employment				
9.1	Total workforce by employment type, employment contract, and region, broken down by gender	●	Employees Human Capital Distribution	129–132
9.2	Total number and rate of new employee hires and employee turnover by age group, gender, and region	●	Employees	129–132
9.3	Return to work and retention rates after parental leave.	●	The NSSF only employs people in Uganda and complies with all Uganda labor laws, including those relating to maternity and paternity leave.	131
9.4	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation.	○	National Social Security Fund only operates and recruits in the Uganda, as such this indicator is not considered material	iv – v
9.5	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families.	○	Employees Health, Safety and Well Being	129–132
9.7	Labor/management relations Occupational health and safety	●	Employees Health, Safety and Well Being	129–132
9.8	Percentage of employees receiving regular performance and career development reviews.	○	Employees receive regular performance and career development reviews and the process is managed by the strategy and performance department.	132
10. Labor/ Management				
10.1	Percentage of employees covered by collective bargaining agreements.	×	We encourage employees to become members of one of the trade unions recognized by the Fund.	
10.2	Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements.	×	Minimum notice periods are defined in our Human Resource Manual	
11. Occupational Health and Safety				
11.1	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities.	●	Employees Health, Safety and Well Being	129–132
11.2	Security practices	○	The Fund has a security manager who is fully in charge of all security issues. It also employs a full-time security firm and anti-terrorism police to ensure safety of staff, assets and clients	
12. Corruption				
12.1	Actions taken in response to incidents of corruption.	○	NSSF only operates in Uganda and aligns practices to Uganda law. Incidences of corruption are dealt with as specified in the code of business conduct. such information is considered business confidential	iv – v



Planning for future generations, both personal and business, is a cornerstone of what we do as the National Social Security Fund



Financial Statements



Report of The Directors for the year ended 30th June 2017

The directors submit their report together with the audited financial statements for the year ended 30 June 2017 which disclose the state of affairs of the National Social Security Fund ('the Fund' or "NSSF"), in accordance with Section 32 (Cap. 222) of the National Social Security Fund Act ('NSSF Act').

1. Incorporation

The Fund is a body corporate established by an Act of Parliament and is domiciled in Uganda and is licensed as a Retirement Benefit Scheme under Uganda Retirement Benefits Regulatory Act (2011).

2. Principal activity

The Fund was established by an Act of Parliament (1985) to provide for its membership, payment of contributions to, and payment of benefits out of the Fund. NSSF is a provident fund (pays out contributions in lump sum). It covers all employees in the private sector including Non-Governmental Organizations that are not covered by the Government's pension scheme. It is a scheme instituted for the protection of employees against the uncertainties of social and economic life. The Fund is financed by the employees' and employers' contributions. The total contribution is 15% of the employees' gross salary, of which 10% is paid by the employer and 5% is paid by the employee.

3. Results from operations

The results of the Fund for the year ended 30 June 2017 are set out on page 173.

4. Interest to members

Interest is computed based on the opening balances of the members' funds less benefits paid during the year. The rate paid during the year ended 30 June 2017 was 11.23% (2016: 12.3%).

5. Reserves and accumulated members' funds

The reserves of the Fund and the accumulated members' funds are set out on pages 175–176.

6. Unallocated members' funds

These are collections received from employers that have not yet been allocated to individual member accounts due to missing details of the members. Management has put in place mechanisms to continuously follow up the missing details from employers in order to update the individual member accounts.

7. Directors

The directors who held office during the year and up to the date of this report are set out on pages 15–17.

8. Auditors

In accordance with Section 32 (2) of the NSSF Act (Cap 222) Laws of Uganda, the financial statements are required to be audited once every year by the Auditor General of Uganda or an auditor appointed by him to act on his behalf. For the year ended 30 June 2017, M/s KPMG Certified Public Accountants were appointed to act on behalf of the Auditor General.

9. Approval of the financial statements

The financial statements were approved at the meeting of the directors held on **20th September 2017**.

By order of the board,



.....
Mr. Richard Wejuli Wabwire
CORPORATION SECRETARY

Date: **21st September 2017**

Statement of Directors' Responsibility for the year ended 30th June 2017

The Uganda Retirement Benefits Regulatory Authority (URBRA) Act 2011 and Regulations require the Directors to make available to the Fund's members and other parties, audited financial statements for each financial year which show a true and fair view of the state of affairs of the Fund as at the end of the financial year.

It also requires the Directors to ensure that the Fund keeps proper accounting records which disclose with reasonable accuracy the financial position of the Fund and safeguarding the assets of the Fund.

The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the URBRA Act and National Social Security Fund (NSSF) Act 1985, and for such internal control as directors determined is necessary to enable the preparation of financial statements, whether due to fraud or error.

The Board of Directors confirm that, during the period under review, in the execution of their duties they have complied with the duties imposed by URBRA Act and the NSSF Act, the directors confirm that:

1. Adequate accounting records are kept inclusive of proper minutes of all resolutions passed by the Board of Directors; and for taking such steps as are reasonably open to them to safeguard the assets of the Fund and to prevent and detect fraud and other irregularities,
2. Proper internal control systems were employed by or on behalf of the Fund;
3. Adequate and appropriate information was communicated to the members including their rights, benefits and duties in terms of the rules of the Fund;
4. Reasonable steps to ensure that contributions, where applicable, were paid timely to the Fund;
5. Expert advice was obtained on matters where they lacked sufficient expertise;
6. The rules, operation and administration of the Fund complied with the URBRA Act and all applicable legislations; and
7. Funds were invested and maintained in accordance with the Fund's investment policy statement and Investment Regulations issued by URBRA.

Approval of the annual financial statements

The Directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with IFRS and the NSSF Act. The Directors are of the opinion that the financial statements give a true and fair view of the financial affairs of the Fund and its operating results.

The Directors believe that the auditor was given unrestricted access to all financial information and all representations made to them during their audit were valid and appropriate.

Notwithstanding the above-mentioned information, the Directors wish to draw attention to the following:

The Fund did not appoint a custodian for internally managed investments as required by section 60 (2) of the URBRA Act.

These financial statements:

Were approved by the Board of Directors on 20 September 2017;

Are to the best of the Directors knowledge and belief confirmed to be complete and correct;

Fairly represent the net assets of the Fund as at 30 June 2017 as well as the results of its activities for the period then ended in accordance with IFRS.

The Directors confirm that for the period under review, the National Social Security Fund has submitted all regulatory and other returns and any other information as required by the provision of the URBRA Act.

Nothing has come to the attention of the Directors to indicate that the Fund will not be able to meet its obligations for the next twelve months from the date of this statement and the requirements of the URBRA Act.



Mr. Patrick Byabakama Kabenge
CHAIRMAN



Mr. Richard Byarugaba
MANAGING DIRECTOR



Andrew Stewart Obita
BOARD MEMBER

Date: 21 September 2017

Report of The Auditor General

On The Financial Statements of The National Social Security Fund for the Year Ended 30th June 2017

THE RT. HON. SPEAKER OF PARLIAMENT

Part “A” of this report sets out my opinion on the financial statements. Part “B” which forms an integral part of this report presents in detail all the significant audit findings made during the audit which have been brought to the attention of management.

PART “A”

Opinion

I have audited the financial statements of National Social Security Fund (“the Fund”), which comprise the Statement of Net Assets Available for Benefits as at 30 June 2017 and the Statements of Changes in Net Assets Available for Benefits, Changes in Members’ Funds and Reserves and Cash Flows for the year then ended, and notes to the financial statements which include a summary of significant accounting policies as set out on pages 177 to 225.

In my opinion, the financial statements give a true and fair view of the financial position of National Social Security Fund as at 30 June 2017, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and the Uganda Retirement Benefits Regulatory Authority Act.

Basis for Opinion

I conducted my audit in accordance with International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the Fund in accordance with the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to my audit of the financial statements in Uganda, and I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA Code.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of matter

I draw attention to Note 35(b) of the financial statements, which indicates that the Fund is challenging the basis on which the Uganda Revenue Authority (URA) disallowed certain expenses in calculating the Fund’s tax assessment during the year ended 30 June 2013. The note also indicates the directors have not recognized any provision for the liability of Ushs 42.2 Billion to URA, as management believes the tax treatment adopted by NSSF is in accordance with the provisions of Section 22(1) (a) and Section 25 of the Income Tax Act.

The note gives details of the case and explains the directors have disclosed a contingent liability as the ultimate outcome of the case cannot presently be determined. My opinion is not qualified in respect of this matter. My report in the prior year contained an emphasis of matter paragraph in this regard.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Fund Information, the Directors’ Report and the Statement of Directors’ Responsibilities, but does not include the financial statements and My audit report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards, Uganda Retirement Benefits Regulatory Act, National Social Security Act and for such internal control as the directors determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the directors are responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

My responsibility as required by Article 163 of the Constitution of the Republic of Uganda and Sections 13 and 19 of the National Audit Act, 2008 is to audit and express an opinion on these statements based on my audit. My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- i. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ii. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- iii. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- iv. Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- v. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.



John F. S. Mwangi
AUDITOR GENERAL

Date: 26 September 2017

Statement of Changes in Net Assets available for Benefits as at 30 June 2017

	Note	2017 Ushs'000	2016 Ushs'000
COMPREHENSIVE INCOME			
Revenue			
Interest income	5	781,099,059	658,839,465
Rental income	6	12,061,467	11,464,128
Dividend income	7	52,311,094	37,686,334
Total revenue		845,471,620	707,989,927
Other income			
Other operating income	8	27,168,320	29,878,904
Fair value gain/(loss) from equity investments at fair value through profit or loss	18	21,877,461	(74,373,213)
Total other income		49,045,781	(44,494,309)
Expenditure			
Administrative expenses	9	(75,560,247)	(59,759,558)
Other operating expenses	10	(15,199,781)	(15,643,520)
Amortization of intangible assets	25	(1,615,894)	(1,477,359)
Depreciation of property and equipment	26	(3,644,287)	(3,161,968)
Total expenditure		(96,020,209)	(80,042,405)
Share of results of equity accounted investees, net of tax	21	24,548,507	10,321,517
Surplus from operations		823,045,699	593,774,730
Interest transfer to members	31	(681,404,864)	(597,285,997)
Surplus/(Loss) before tax	11	141,640,835	(3,511,267)
Income tax expense (withholding tax as final tax)	12(a)	(130,637,624)	(102,331,080)
Surplus/(Loss) for the year		11,003,211	(105,842,347)
Other comprehensive income			
<i>Other comprehensive income to be reclassified to profit or loss in subsequent years:</i>			
		-	-
<i>Items not to be reclassified to profit or loss in subsequent years:—share of results of equity accounted investees</i>			
	21	(6,889,710)	-
Total other comprehensive income for the year, net of tax		(6,889,710)	-
Total comprehensive income for the year, net of tax		4,113,501	(105,842,347)
DEALINGS WITH MEMBERS			
Contributions received during the year	31	916,908,807	785,498,304
Benefits paid	31	(278,254,718)	(238,797,166)
Net dealings with members		638,654,089	546,701,138
Net increase in scheme funds during the year		642,767,590	440,858,791

The accounting policies and notes on pages 177 to 225 form an integral part of these financial statements.

Statement of Net Assets available for Benefits as at 30 June 2017

	Note	2017 Ushs'000	2016 Ushs'000
ASSETS			
Cash and bank balances	13	56,242,869	27,800,138
Deposits with commercial banks	14	224,775,364	274,062,186
Trade and other receivables	16	45,038,256	42,847,324
Equity securities held-for-trading	15	88,373,503	84,863,191
Tax deposit receivable	12(c)	25,323,522	25,323,522
Investments in securities held-to-maturity	17	5,747,059,614	4,635,745,420
Equity investments at fair value through profit or loss	18	899,971,553	901,377,895
Loans and advances	19	26,879,508	30,547,888
Inventories (Office supplies)	20	1,187,304	–
Investments accounted for under the equity method	21	266,525,086	80,319,762
Capital work-in-progress	23	323,834,522	314,799,944
Investment properties	24	188,210,449	139,345,000
Intangible assets	25	5,770,533	4,400,244
Property and equipment	26	10,966,840	11,649,369
Tax claimable	28	13,454,787	12,065,756
Finance lease	27	650,000	650,000
Total Assets		7,924,263,710	6,585,797,639
LIABILITIES			
Other payables	29	27,819,801	23,329,307
Provisions for litigation	30	12,801,429	12,277,112
Total Liabilities		40,621,230	35,606,419
NET ASSETS		7,883,642,480	6,550,191,220
MEMBERS' FUNDS AND RESERVES			
Accumulated members' funds	31	7,623,061,300	6,303,685,942
Reserve account	32	90,069,937	80,107,536
Accumulated surplus		170,511,243	166,397,742
TOTAL MEMBERS' FUNDS AND RESERVES		7,883,642,480	6,550,191,220

These financial statements were approved for issue by the Board of Directors on **20th September 2017** and signed on its behalf by:



Mr. Patrick Byabakama Kabenge
CHAIRMAN



Mr. Richard Byarugaba
MANAGING DIRECTOR



Andrew Stewart Obita
BOARD MEMBER

Statement of Changes in Members' Funds and Reserves for the year ended 30 June 2017

	Note	Reserve Account Ushs 000	Accumulated Members' Funds Ushs 000	Accumulated Surplus Ushs 000	Total Ushs 000
At 1 July 2015		71,316,122	5,166,761,915	272,240,089	5,510,318,126
Surplus for the year		–	–	(105,842,347)	(105,842,347)
Special contributions received	32(a)	4,913,165	–	–	4,913,165
Transfer of interest recovered on arrears, fines and penalties received	32(a)	(360,942)	–	–	(360,942)
Members' contributions received	31	–	785,498,304	–	785,498,304
Benefits paid to members	31	–	(238,797,166)	–	(238,797,166)
Interest reallocated arising from arrears recovered	32	–	(15,916,775)	–	(15,916,775)
Provision for interest to members	31	4,239,191	606,139,664	–	610,378,855
At 30 June 2016		80,107,536	6,303,685,942	166,397,742	6,550,191,220
At 1 July 2016					
Surplus for the year		–	–	11,003,211	11,003,211
Other comprehensive income, net of tax	21	–	–	(6,889,710)	(6,889,710)
Special contributions received	32(a)	5,615,923	–	–	5,615,923
Members' contributions received	31	–	916,908,807	–	916,908,807
Benefits paid to members	31	–	(278,254,718)	–	(278,254,718)
Interest allocated to members arising from arrears recovered	31	–	4,065,342	–	4,065,342
Provision for interest to members	31	4,346,478	676,655,927	–	681,002,405
At 30 June 2017		90,069,937	7,623,061,300	170,511,243	7,883,642,480

Statement of Cash Flows for the year ended 30 June 2017

	Note	2017 Ushs '000	2016 Ushs '000
Net cash generated from/(used) in operating activities	33	(52,032,730)	(70,902,122)
Investing activities			
Purchase of software	25	(2,986,183)	(19,807)
Purchase of property and equipment	26	(2,961,757)	(6,389,018)
Proceeds from sale of fixed assets		141,100	614,021
Purchase of investment properties	24	(29,845,654)	–
Purchase of capital work-in-progress	23	(10,134,666)	(3,535,771)
Purchase of equity investments at fair value through profit or loss		(101,222,750)	(231,562,872)
Purchase of shares in investments accounted for under the equity method		(59,448,574)	–
Purchase of equity investments held for trading		(3,634,838)	(9,310,293)
Proceeds from disposal of equity investments held for trading		1,607,354	138,484
Purchase of held to maturity investments		(1,356,713,469)	(968,333,554)
Maturities of held to maturity investments		255,833,542	227,479,830
Purchase of deposits with commercial banks		(305,667,007)	(573,670,125)
Maturities of deposits with commercial banks		355,491,755	555,660,045
Maturities of loans and advances		7,782,330	8,385,483
Interest received from held to maturity investments		633,955,164	500,664,480
Interest received from commercial bank deposits		36,089,590	34,589,299
Dividends received from associates		13,854,170	489,739
Net cash flows used in investing activities		(567,859,893)	(464,800,059)
Financing activities			
Benefits paid out to members	31	(278,254,718)	(238,797,166)
Contributions received from members	31	916,908,807	785,498,304
Interest recovered on arrears		4,065,342	(2,176,321)
Special contributions received	32	5,615,923	4,913,165
Net cash flows from financing activities		648,335,354	549,437,982
Increase in cash and cash equivalents		28,442,731	13,735,801
Cash and cash equivalents at 1 July		27,800,138	14,064,337
Cash and cash equivalents at 30 June	13	56,242,869	27,800,138

*The accounting policies and notes on pages 177 to 225 form an integral part of these financial statements.

Notes to The Financial Statements for the year ended 30 June 2017

1. Fund Information

National Social Security Fund (the “Fund”) is a corporate body domiciled in Uganda. The Fund is primarily involved in collection of contributions and investment of the contributions in a professional manner to earn a good return to meet the benefit obligations to its members as stipulated under the National Social Security Fund (NSSF) Act (Cap 222).

The Fund is a defined contribution scheme which covers all employees in the private sector, with a total contribution of 15% of the employees’ gross salary (employer contribution 10%, employee contribution 5%).

During the year to 30 June 2017, 20,084 beneficiaries were paid (2016: 16,626).

According to the NSSF Act (Cap. 19), the benefits paid out of the Fund are:

- Age Benefit – payable to a member who has reached the retirement age of 55 years;
- Withdrawal Benefit – payable to a member who has attained the age of 50 years, and is out of regular employment for one year;
- Invalidity benefit – payable to a member who because of illness or any occurrence develops incapacity to engage in gainful employment;
- Survivors Benefit – Payable to the dependant survivor(s) in the unfortunate event of member’s death; and
- Emigration Grant – Payable to a member (Ugandan or Expatriate) who is leaving the country for good. Such a member must have been contributing for a minimum of four financial years; else will have to forfeit the 10% employer contribution.

Government is currently implementing policy reforms whose objective is a liberalized and regulated retirement benefits sector. These reforms have entailed the enactment of the Retirement Benefits Regulatory Authority Act 2011, which came into force in September 2011. The new law established a Retirement Benefits

Regulatory Authority [RBRA] whose function is to regulate all retirement schemes including NSSF. Like all other schemes, the Fund has an operating license, which has since been renewed until June 2017.

Government also tabled the Retirement Benefits Sector Liberalization Bill 2011 before Parliament. The objective of the bill is, among others, to repeal the National Social Security Fund Act. There is ongoing debate in parliament including provisions to amend (not repeal) the NSSF Act, and to permit NSSF continue as a national scheme receiving a substantial portion of the mandatory contribution.

The Fund is also listed in Class 1 of the Public Enterprises Reform and Divestiture Act as an entity in which the Government of Uganda (GoU) shall retain 100% control and/or ownership. Consequently, management’s expectation is that government will do all it can to ensure that the Fund continues to exist in the new liberalized and regulated framework.

The Board of Directors assessed the implications of the above developments and determined that they do not have an effect on the Fund’s going concern in the foreseeable future.

2. Basis Of Preparation

The financial statements of the Fund have been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB) to meet the requirements of the National Social Security Fund Act (Cap 222) of Uganda.

The financial statements have been prepared on a historical cost basis except for some financial assets (equity investments held-for-trading or designated at fair value through profit or loss), and investment properties that have been measured at fair value. The financial statements are presented in Uganda Shillings (Ushs), which is the Fund’s functional currency and all values are rounded off to the nearest thousand (Ushs 000), except where otherwise indicated.

3. Summary Of Significant Accounting Policies

The principal accounting policies set out below have been applied consistently to all periods presented in the financial statements.

a. Investment in Associates

The Fund's investments in its associates are accounted for using the equity method. An associate is an entity in which the Fund has significant influence but not control over the financial and operating policies. Significant influence is presumed to exist when the Fund holds 20 to 50 percent of the voting power of another entity and when the Funds representation on the Board by of the Investee Company is 20 to 50 percent for investees where the shareholding is below 20 percent. Under the equity method, the investment in the associates is carried in the statement of financial position at cost plus post acquisition changes in the Fund's share of net assets of the associate.

The statement of comprehensive income reflects the share of the results of operations of the associate. The share of the results of an associate is shown on the face of the statement of changes in net assets available for benefits. These are the results attributable to equity holders of the associate and therefore the results after tax and non-controlling interests in the subsidiaries of the associate. Where necessary, adjustments are made to bring the accounting policies of the associates in line with those of the Fund.

b. Foreign currencies

Transactions in foreign currencies during the year are translated into Uganda Shillings at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into Uganda Shillings at the exchange rate ruling at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to Uganda Shillings at the date when the fair value was determined. Foreign currency gains and losses arising from translation are recognized in the statement of changes in net asset available for benefits.

c. Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Fund and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account

contractually defined terms of payment. The following specific recognition criteria must also be met before revenue is recognized:

i. Interest income

For all financial instruments measured at amortized cost, interest income or expense is recorded using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability.

ii. Dividends

Dividend income is recognized when the right to receive dividends is established.

iii. Rental income

Rental income from investment properties is recognized in the statement of comprehensive on the straight line basis over the term of the lease.

iv. Other income

Other income comprises gains less losses related to trading assets and liabilities, and includes gains from disposal of Fund assets and all realized and unrealized foreign exchange differences.

d. Financial instruments – initial recognition and subsequent measurement

i. Financial assets

Initial recognition and measurement

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Fund determines the classification of its financial assets at initial recognition. All financial assets are recognized initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Fund's financial assets include cash and cash equivalents, trade and other receivables, loans and advances, deposits with commercial banks, investments in government and corporate bonds and equity investments.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets designated upon initial recognition at fair value through profit or loss. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with changes in fair value recognized in surplus or deficit.

Financial assets held for trading

Financial assets held for trading include securities held for trading which are equity investments held by fund managers. Financial assets held for trading are carried in the statement of financial position at fair value with changes in fair value recognized in surplus or deficit.

Loans and advances

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate method (EIR), less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in interest income in the statement of comprehensive income. The losses arising from impairment are recognized in impairment losses in the statement of comprehensive income.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Fund has the positive intention and ability to hold them to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in interest income in the statement of comprehensive income.

Other receivables

Other receivables are carried at amortized cost which approximates the original invoice amount less provision made for impairment losses. An allowance for impairment of other receivables is established when

there is objective evidence that the Fund will not be able to collect all amounts due according to the original terms of receivables.

Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a fund of similar financial assets) is de-recognized when:

- The rights to receive cash flows from the asset have expired.
- The Fund has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Fund has transferred substantially all the risks and rewards of the asset, or (b) the Fund has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Fund has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Fund's continuing involvement in the asset. In that case, the Fund also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Fund has retained.

ii. Impairment of financial assets

The Fund assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortized cost

For financial assets carried at amortized cost, the Fund first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Fund determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in surplus or deficit. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the statement of comprehensive income. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Fund. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a write-off is recovered in the future, the recovery is credited to other income in the statement of comprehensive income.

iii. **Financial liabilities**

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through

profit or loss, loans and borrowings measured at amortized cost, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Fund determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value, plus, in the case of loans and borrowings, directly attributable transaction costs.

The Fund's financial liabilities include trade and other payables.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Trade payables

Trade payables include trade payables and are subsequently measured at amortized cost. Gains and losses on derecognition and amortization are recognized in surplus or deficit.

Other accounts payable

Other accounts payable are carried at amortized cost, which approximates the consideration to be paid in the future for goods and services received.

Derecognition

A financial liability is de-recognized when the obligation under the liability is discharged or canceled or expires.

e. **Offsetting**

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

f. **Fair value of financial instruments**

The Fund measures financial instruments such as financial assets, and non-financial assets such as investment properties, at fair value at each reporting date. Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed, are summarized in the following notes:

- Disclosures for valuation methods, significant estimates and assumptions – Note 4.
- Quantitative disclosures of fair value measurement hierarchy – Note 38.
- Financial instruments (including those carried at amortized cost)–Notes 15,17 to 19 and 29.

g. Fair value of financial instruments (continued)

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction of transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; a discounted cash flow analysis or other valuation models.

h. Property and equipment

Property and equipment are stated at cost less accumulated depreciation. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

The cost of replacing part of an item of property and equipment is recognized in the carrying value of the item if it is probable that the future economic benefits embodied within the part will flow to the Fund and its cost can be measured reliably. The carrying value of the replaced part is de-recognized. The cost of day to day servicing of the property and equipment is recognized in surplus or deficit as incurred.

Depreciation is recognized in surplus or deficit and calculated to write off the cost of the property and equipment on a straight line basis over the expected useful lives of the assets concerned. Land is not depreciated.

The estimated depreciation rates for the current and comparative periods are as follows: –

	Percentage
Machinery	20 %
Motor vehicles	20 %
Furniture and equipment	12.5 %
Computer equipment	25%

Management and directors review the depreciation methods, residual value and useful life of an asset at the year end

and any change considered to be appropriate is recorded in surplus or deficit as a change in estimates.

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying value of property and equipment and recognized net within other income in profit or loss.

i. Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statement of comprehensive income in the expense category consistent with the function of the intangible asset. There are no intangible assets with indefinite useful lives.

Intangible assets are amortized at a rate of 10%.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognize in the statement of comprehensive income when the asset is de-recognized.

j. Investment properties

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property.

Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in surplus or deficit in the period in which they arise.

Fair values are evaluated every after two years by an accredited external, independent valuer.

Investment properties are de-recognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in surplus or deficit in the period of derecognition.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. When the use of property changes from owner occupied to investment property, the property is re-measured at fair value and reclassified as investment property. Any gain arising on revaluation is recognized through other comprehensive income. Any loss arising on revaluation is recognized through the surplus or deficit.

k. Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on first-in-first out principle and includes the expenditure incurred in acquiring the inventory, and other costs incurred in bringing them to their existing location and condition.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and selling expenses or the replacement cost as appropriate.

l. Impairment of non-financial assets

The carrying amounts of the Fund's non-financial assets other than investment properties, inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such condition exists, the asset's recoverable amount is estimated and an impairment loss recognized in surplus or deficit whenever the carrying amount of an asset exceeds its recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the assets' carrying amount that would have been determined net of depreciation or amortization if no impairment loss was recognized.

m. Employee benefits

i. Gratuity

The Fund's terms and conditions of employment provide for gratuity to qualifying employees equivalent to 20% of the monthly salary per year of service to the organization. This employment benefit is accrued on a monthly basis and paid annually in arrears. The provision in the financial statements takes account of service rendered by employees up to the statement of financial position date and is based on the calculated staff benefits payable.

ii. Staff provident fund

The Fund operates a defined contribution plan for all qualifying employees. The contribution payable to the plan is in proportion to the services rendered to the Fund by the employees and is recorded as an expense under 'staff costs'. Unpaid contributions are recorded as a liability. The Fund also contributes to the plan on behalf of the employees. The Fund's Contributions are charged to the income statement in the year to which they relate.

n. Provisions

A provision is recognized if, as a result of a past event, the Fund has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Where the Fund expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain

o. Income tax

Income tax expense comprises current tax and change in deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized through other comprehensive income or equity, in which case it is recognized through other comprehensive income or equity.

Current tax is provided for on the surplus for the year adjusted in accordance with the Ugandan Income Tax Act. Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred tax is provided for using the liability method, for all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. However, if the deferred tax arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. In respect of temporary differences associated with investments in subsidiaries and associates, deferred tax assets and liabilities are not recognized where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Tax is recognized as an expense/(income), except to the extent that the tax arises from a transaction which is recognized directly in other comprehensive income or equity. In this case the tax is also recognized in other comprehensive income or equity.

Revenue, expenses and assets are recognized net of the amount of value added tax except:

- Where the value added tax incurred on a purchase of assets or rendering of services is not recoverable from the taxation authority, in which case the value added tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of value added tax included.

The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of accounts receivables or account payables in the statement of financial position.

p. Cash and cash equivalents

Cash and cash equivalents are measured at amortized cost subsequent to initial recognition. For the purposes of the statement of cash flows, cash and cash equivalents comprises of cash and bank that are available on demand as at the reporting date.

q. Capital work-in-progress

The ongoing construction/installation of capital projects are recorded at the cost to date or valuation and are only transferred into the relevant assets categories once completed and commissioned. No depreciation is computed on capital work-in-progress as these assets are not yet available for use. However, an expected impairment loss on capital work-in-progress is recognized immediately in surplus or deficit.

r. Members' Funds

The Fund is funded through contributions from members and investment income.

i. Contributions from members

Contributions from employees remitted by the employers are recognized on a cash basis. Contributions due but not yet received at the end of the financial year are not accrued but accounted for and recognized in subsequent years when received.

ii. Benefit payments to members

Benefits to members are accounted for on a cash basis. Benefit payments made but not collected by members are written back in the cash book and no liability thereof recognized in the financial statements.

iii. Interest payments to members

Interest payable on members' accumulated contributions is calculated based on the opening accumulated contributions (standard contribution plus interest) less benefits paid during the year. The effective interest rate used to compute interest accrued to members is approved by the Minister of Finance, Planning & Economic Development in accordance with Section 35(1) and (2) of the National Social Security Fund Act and is treated as an expense.

s. Reserve Account

The reserve account is credited with contributions that cannot be allocated to members, special contributions by non-eligible employees and amounts recovered in form of fines and penalties from employers that fail to remit members funds as stipulated in the National Social Security Fund Act. The special contributions are credited directly to the reserve account while the fines and penalties are recognized through the statement of comprehensive income and then appropriated from the accumulated surplus/deficit to the reserve account. Transfers from the reserve account require the approval of the Minister of Finance in accordance with the NSSF Act.

t. Leases

Leases, where a significant portion of the risks and rewards of ownership are transferred to the Fund are classified as finance leases. The leased assets are measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to that asset.

u. Changes in accounting policies and disclosures

i. New and amended standards adopted by the fund

New amendments or interpretation effective for annual periods beginning on or after 1 January 2016 are summarized below:

New amendments or interpretation	Effective date
<ul style="list-style-type: none"> • IFRS 14 Regulatory Deferral Accounts 	1 January 2016
<ul style="list-style-type: none"> • Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11) 	
<ul style="list-style-type: none"> • Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38) 	
<ul style="list-style-type: none"> • Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41) 	
<ul style="list-style-type: none"> • Equity Method in Separate Financial Statements (Amendments to IAS 27) 	
<ul style="list-style-type: none"> • Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28) Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28) 	
<ul style="list-style-type: none"> • Disclosure Initiative (Amendments to IAS 1) 	

The adoptions of these standards did not have a significant impact on the financial statements of the Fund.

The amendments apply for annual periods beginning on or after 1 January 2017 and early application is permitted.

ii. Standards issued but not yet effective

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2017, and have not been applied in preparing these financial statements. Those which may be relevant to the Fund are set out below. The Fund does not plan to adopt these standards early. These will be adopted in the period that they become mandatory or/ and effective.

Disclosure Initiative (Amendments to IAS 7)

The amendments provide for disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. This includes providing a reconciliation between the opening and closing balances for liabilities arising from financing activities.

The adoption of these amendments will not have a significant impact on the financial statements of the Fund.

Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)

The amendments provide additional guidance on the existence of deductible temporary differences which:

- depend solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period; and
- is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset.

The amendments also provide additional guidance on the methods used to calculate future taxable profit to establish whether a deferred tax asset can be recognized.

The amendments apply for annual periods beginning on or after 1 January 2017 and early application is permitted.

The adoption of these amendments will not have a significant impact on the financial statements of the Fund.

IFRS 15 Revenue from contracts with customers

This standard replaces IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfer of Assets from Customers and SIC-31 Revenue – Barter of Transactions Involving Advertising Services. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized.

The standard is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted under IFRS.

This new standard will most likely have a significant impact on the Fund, which will include a possible change in the timing of when revenue is recognized and the amount of revenue recognized. The Fund is still assessing the potential impact this standard will have on recognition and disclosures.

IFRS 9 Financial Instruments

On 24 July 2014, the IASB issued the final IFRS 9 Financial Instruments Standard, which replaces earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement.

The standard is effective for annual periods beginning on or after 1 January 2018 with retrospective application, early adoption is permitted.

The Fund is assessing the potential impact on its financial statements resulting from the application of IFRS 9

Clarifying share-based payment accounting (Amendments to IFRS 2)

Currently, there is ambiguity over how a company should account for certain types of share-based payment arrangements. The IASB has responded by publishing amendments to IFRS 2 Share-based Payments.

The amendments cover three accounting areas:
Measurement of cash-settled share-based payments

–The new requirements do not change the cumulative amount of expense that is ultimately recognized, because the total consideration for a cash-settled share-based payment is still equal to the cash paid on settlement.

Classification of share-based payments settled net of tax withholdings –The amendments introduce an exception stating that, for classification purposes, a share-based payment transaction with employees is accounted for as equity-settled if certain criteria are met.

Accounting for a modification of a share-based payment from cash-settled to equity-settled – The amendments clarify the approach that companies are to apply.

The new requirements could affect the classification and/or measurement of these arrangements – and potentially the timing and amount of expense recognized for new and outstanding awards.

The amendments are effective for annual periods commencing on or after 1 January 2018.

The adoption of these amendments will not have a significant impact on the financial statements of the Fund.

Transfers of Investment property (Amendments to IAS 40)

The IASB has amended the requirements in IAS 40 Investment property on when a company should transfer a property asset to, or from, investment property

The amendments apply for annual periods beginning on or after 1 January 2018. Early adoption is permitted.

The Fund is assessing the potential impact on its financial statements resulting from the application of the amendment to IAS 40.

IFRIC 22 Foreign Currency Transactions and Advance Considerations

When foreign currency consideration is paid or received in advance of the item it relates to – which may be an asset, an expense or income – IAS 21 The Effects of Changes in Foreign Exchange Rates is not clear on how to determine the transaction date for translating the related item.

This has resulted in diversity in practice regarding the exchange rate used to translate the related item. IFRIC 22 clarifies that the transaction date is the date on which the company initially recognizes the prepayment or deferred income arising from the advance consideration. For transactions involving multiple payments or receipts, each payment or receipt gives rise to a separate transaction date.

The interpretation applies for annual reporting periods beginning on or after 1 January 2018.

The adoption of these amendments will not have a significant impact on the financial statements of the Fund.

IFRS 16 Leases

IFRS 16 was published in January 2016. It sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). IFRS 16 replaces the previous leases Standard, IAS 17 Leases, and related Interpretations. IFRS 16 includes a single model for lessees which will result in almost all leases being included in the Statement of Financial Position. No significant changes have been included for lessors. IFRS 16 also includes extensive new disclosure requirements for both lessees and lessors.

The standard is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted only if the entity also adopts IFRS 15.

The Fund is assessing the potential impact of IFRS 16 on the financial statements.

IFRIC 23 Uncertainty over Income Tax Treatments

IFRIC 23 clarifies the accounting for income tax treatments that have yet to be accepted by tax authorities. Specifically, IFRIC 23 provides clarity on how to incorporate this uncertainty into the measurement of tax as reported in the financial statements.

IFRIC 23 does not introduce any new disclosures but reinforces the need to comply with existing disclosure requirements about:

- judgments made;
- assumptions and other estimates used; and
- the potential impact of uncertainties that are not reflected.

The adoption of these changes will not have a material impact on the financial statements of the Fund.

IFRIC 23 applies for annual periods beginning on or after 1 January 2019. Earlier adoption is permitted.

IFRS 17 Insurance Contracts

IFRS 17 supersedes IFRS 4 Insurance Contracts and aims to increase comparability and transparency about profitability. The new standard introduces a new comprehensive model ("general model") for the recognition and measurement of liabilities arising from insurance contracts. In addition, it includes a simplified approach and modifications to the general measurement model that can be applied in certain circumstances and to specific contracts, such as:

- Reinsurance contracts held;
- Direct participating contracts; and
- Investment contracts with discretionary participation features.

Under the new standard, investment components are excluded from insurance revenue and service expenses. Entities can also choose to present the effect of changes in discount rates and other financial risks in profit or loss or OCI.

The new standard includes various new disclosures and requires additional granularity in disclosures to assist users to assess the effects of insurance contracts on the entity's financial statements.

The standard is effective for annual periods beginning on or after 1 January 2021. Early adoption is permitted.

The adoption of this standard will not have a significant impact on the financial statements of the Fund.

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)

The amendments require the full gain to be recognized when assets transferred between an investor and its associate or joint venture meet the definition of a 'business' under IFRS 3 Business Combinations. Where the assets transferred do not meet the definition of a business, a partial gain to the extent of unrelated investors' interests in the associate or joint venture is recognized. The definition of a business is key to determining the extent of the gain to be recognized.

The IASB has decided to defer the effective date for these amendments indefinitely. Adoption is still permitted.

4. Determination Of Fair Value

The fair value of both financial/non-financial assets and fair values have been determined for measurement and/or disclosure purposes based on the methods below.

i. Investment properties

The Fund uses an external independent valuation company with recognized professional qualification experience and values the Fund's investment properties after every two years (previously on an annual basis). The fair values are based on the market conditions being the price that would be received to sell an asset in an orderly transaction between market participants on the measurement date. In the absence of an active price in an active market, the values are prepared by considering the aggregate of the estimated cash flows expected to be received from renting out the property. The yield that reflects the specific risks inherent in the net cash flows then is applied to the net annual cash flows to arrive at the property valuation.

ii. Investment in debt and equity securities

The fair value of financial assets at fair value through profit or loss, held-to-maturity investments and available for sale is determined by reference to their quoted bid price at the reporting date if available, the fair value for non-quoted equity instruments has been determined using the net asset value methodology and the fair value of held-to-maturity investments is determined using the discounted cash flow methodology.

iii. Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. The fair value of trade and other receivables is determined at initial recognition and for disclosure purposes only.

5. Interest Income

	2017 Ushs 000	2016 Ushs 000
Interest income on short term deposits with banks	42,951,560	46,581,639
Interest income on government bonds: held-to-maturity	719,180,580	589,483,625
Interest income on corporate bonds: held-to-maturity	15,174,775	18,452,869
Interest income on loans measured at amortized cost	3,792,144	4,321,332
	781,099,059	658,839,465

All interest income arises from financial assets that are not at fair value through profit or loss.

6. Rental Income

	2017 Ushs 000	2016 Ushs 000
Workers House	7,045,959	6,809,322
Social Security House	2,548,541	2,353,728
Service Charge	1,644,474	1,525,002
Others	822,493	776,076
	12,061,467	11,464,128

This relates to rental income earned from investment properties (refer to Note 24) owned by the Fund, and rented out to tenants for commercial purposes. Tenants are charged rental fees based on the square metres occupied at agreed rental charges as specified in the tenancy agreements.

7. Dividend Income

	2017 Ushs 000	2016 Ushs 000
Stanbic Bank Uganda Limited	1,545,017	817,546
Bank of Baroda (Uganda) Limited	124,891	124,891
New Vision Printing and Publishing Company Limited	750,000	750,000
DFCU Limited	742,794	640,767
Safaricom Limited	13,567,879	6,215,193
Umeme Limited	–	8,650,212
Equity Group Holdings Ltd	6,442,147	6,332,775
Kenya Commercial Bank (KCB)	6,516,750	4,199,969
Bank of Kigali	2,243,356	2,275,561
Tanzania Breweries	5,856,612	3,616,382
East Africa Breweries	3,287,382	1,729,595
Eastern and Southern African Trade and Development Bank (PTA Bank)	3,085,446	96,395
Other dividend income earned from fund managers	8,148,820	2,237,048
	52,311,094	37,686,334

8. Other Operating Income

	2017 Ushs 000	2016 Ushs 000
Gain on disposal of property and equipment	141,100	613,778
Clearance fees	40,540	72,062
Miscellaneous income	10,985,800	1,490,777
Fair value gain/(loss) on equity investments held for trading	1,689,964	(14,048,804)
(Loss)/gain on disposal of equity investments held for trading	(315,322)	22,349
Notional income on staff loans	340,027	174,171
Fines and penalties from defaulting employers: Note 32(b)	420,985	429,872
Fair value gain on investment property	19,019,795	6,225,029
Foreign exchange (loss)/gains	(5,154,569)	34,899,670
	27,168,320	29,878,904

Miscellaneous income mainly comprises of fees from sale of bid documents and insurance claims.

Foreign exchange (loss)/gains arose from (depreciation)/appreciation of foreign currencies against the Uganda Shilling which affected monetary foreign denominated assets and liabilities.

9. Administrative Expenses

	2017 Ushs 000	2016 Ushs 000
Staff costs (Note 9a)	42,590,308	38,347,611
Staff medical insurance	983,185	936,881
General staff and training expenses	4,443,893	3,566,701
Advertising and promotion	5,414,593	2,434,619

	2017 Ushs 000	2016 Ushs 000
Auditors' remuneration	129,928	120,592
Bank charges and commission	199,030	13,648
Board expenses	847,656	572,584
Cleaning expenses	335,726	283,685
IT connectivity and Internet	521,578	565,954
Directors' allowances	508,417	548,950
Professional fees	2,676,786	709,691
Legal fees	5,087,598	331,800
Motor vehicle fuel costs, maintenance & repairs	916,309	682,010
Printing and stationery	736,165	486,985
Subscriptions	342,892	275,101
Telephone, fax, telex and post	769,382	665,285
Travel and subsistence costs	2,889,626	2,267,584
Commission and brokerage fees	1,699,354	2,024,093
Uganda Retirement Benefits Regulatory Authority annual levy	4,022,953	4,604,932
Other administrative expenses	444,868	320,852
	75,560,247	59,759,558
a) Staff costs		
Leave pay	626,712	530,758
Overtime expenses	106,168	102,899
Salaries and wages	34,800,313	31,444,104
Social security contributions	3,768,186	3,327,093
Contributions to the staff provident fund	2,616,634	2,358,441
Gratuity	672,295	584,316
	42,590,308	38,347,611
Average number of employees: 522 (2016: 506)		

10. Other Operating Expenses

	2017 Ushs 000	2016 Ushs 000
Rent and rates	4,323,330	4,241,434
Electricity and water	1,661,580	1,552,840
Repairs and maintenance	5,872,157	5,545,840
Insurance	1,302,403	1,379,361
Security expenses	1,270,934	1,290,443
Research and library expenses	909,082	571,938
Fund manager expenses	(189,825)	56,049
Impairment loss provision for bad debts	50,120	1,005,615
	15,199,781	15,643,520
a) Impairment loss provision for bad debts		
Rent receivable (Note 16)	50,120	1,005,615
	50,120	1,005,615

11. Surplus Before Tax

Surplus before tax is arrived at after charging/(crediting):

	2017 Ushs 000	2016 Ushs 000
Amortization of intangible assets (Note 25)	1,615,894	1,477,359
Depreciation of property and equipment (Note 26)	3,644,286	3,161,969
Gain on disposal of property and equipment	(141,100)	(613,778)
Auditors' remuneration	129,928	120,592
Directors' emoluments	508,417	548,950
Staff costs	42,590,308	38,347,611
Unrealized foreign exchange gains	5,228,361	(29,438,000)
Fair value (gains)/loss from equity instruments at FVTPL	(2,600,062)	74,373,212
Fair value (gains)/loss from equity instruments held for trading	(1,558,529)	14,048,450
Fair value (gain) on investment property	(6,181,365)	(5,831,318)

12. Tax

a. Income tax expense

The income tax expense relates to withholding tax deducted at source from interest on investments in treasury bills and bonds as a final tax as per Income Tax Act section 122(a). No other income tax is charged because the Fund has accumulated trading losses amounting to Ushs 908 Billion as at 30 June 2017(2016: Ushs 819 Billion).

The tax on the Fund's surplus after interest transfer to member's funds differs from the theoretical amount that would arise using the basic rate of 30% as follows:

	2017 Ushs 000	2016 Ushs 000
Surplus/(loss) from operations before tax	134,751,121	(3,511,267)
Tax calculated at 30%	40,425,338	(1,053,380)
Tax effect of;		
Expenses related to income taxed at source	14,764,350	11,164,257
Interest expense transferred to members' funds	119,928,101	96,985,999
Income taxed at source	(200,743,831)	(156,031,789)
Non- taxable income	(5,307,958)	(3,096,455)
Other non-deductible expenses	702,699	386,118
Unrecognized deferred tax credit(Note 12(b))	30,861,300	51,645,250
Unrecoverable withholding tax deducted at source	130,637,624	102,331,080
Statement of comprehensive income tax charge	130,637,624	102,331,080

b. **Deferred tax asset**

Deferred tax is calculated on all temporary differences under the liability method using the principal tax rate of 30% (2016: 30%).

	At 30 June 2016 Ushs 000	Movement for the year Ushs 000	At 30 June 2017 Ushs 000
Deferred tax assets			
Unrealized foreign exchange losses	(34,523,209)	(1,796,948)	(36,320,157)
Provision for impairment loss on trade and other receivables	(8,940,546)	394,541	(8,546,005)
Bonus provision	(1,489,711)	(167,374)	(1,657,085)
Tax losses carried forward	(245,703,911)	(26,662,462)	(272,366,373)
	(290,657,376)	(28,232,243)	(318,889,620)
Deferred tax liabilities			
Unrealized foreign exchange gains	84,421,036	(8,602,961)	75,818,075
Fair value gains on investment properties	69,191,086	5,705,939	74,897,024
Fair value changes on equity instruments	39,245,277	506,989	39,752,266
Unrealized gains in investments with fund managers	3,702,056	–	3,702,056
Accelerated depreciation	2,101,751	(239,024)	1,862,727
	198,661,205	2,629,057	(196,032,148)
Net deferred tax asset	(91,996,172)	(30,861,300)	(122,857,471)
Deferred tax assets			
Unrealized foreign exchange losses	(29,346,847)	(5,176,362)	(34,523,209)
Provision for impairment loss on trade and other receivables	(8,709,166)	(234,380)	(8,940,546)
Bonus provision	(1,175,910)	(313,801)	(1,489,711)
Tax losses carried forward	(210,693,141)	(35,010,769)	(245,703,910)
	(249,922,064)	(40,735,315)	(290,657,376)
Deferred tax liabilities			
Unrealized foreign exchange gains	70,413,274	14,007,762	84,421,036
Fair value gains on investment properties	67,323,577	1,867,509	69,191,086
Fair value changes on equity instruments	61,557,241	(22,311,964)	39,245,277
Unrealized gains in investments with fund managers	7,916,697	(4,214,641)	3,702,056
Accelerated depreciation	2,360,355	(258,604)	2,101,751
	209,571,144	(10,909,938)	198,661,206
Net deferred tax asset	(40,350,920)	(51,645,250)	(91,996,170)

The net deferred tax asset of Ushs 123 Billion (2016: Ushs 92 Billion) has not been recognized in these financial statements because it is not probable that future taxable profit will be available against which the Fund can use the benefits therefrom. Despite the Fund making surplus earnings, Section 22(1) and 25 of the Income Tax Act allows a deduction of interest incurred during the year of income in respect of a debt obligation. In addition, the Fund obtained a ruling from Uganda Revenue Authority in 2001 advising that interest paid to members is tax deductible. The Fund follows this ruling when preparing income tax computations and it is unlikely that the Fund will have taxable profits against which the deferred income tax asset can be utilized.

c. Tax Deposit Receivable

	2017 Ushs 000	2016 Ushs 000
Tax deposit receivable	25,323,522	25,323,522

As disclosed under Note 35(b), the Fund received an assessment for tax from URA on 15 April 2013 which it disputed. In accordance with the Income Tax Act the Fund was required to pay 30% of the assessed tax before proceeding to court. The directors believe that this amount is recoverable as the deposit will either be refunded in the event of a successful outcome, or applied toward the tax obligation in the event that the fund is not successful in its court case.

The carrying amount of the tax deposit approximate its fair value.

13. Cash and Bank Allowances

	2017 Ushs 000	2016 Ushs 000
Barclays Bank of Uganda Limited	523,225	1,198,851
Citibank Uganda Limited	2,099,237	322,767
Housing Finance Uganda Limited (Note 34)	103,541	15,758
Stanbic Bank Uganda Limited	17,484,918	14,424,123
*Standard Chartered Bank Uganda Limited	30,256,623	9,269,450
KCB Rwanda	1,322,625	10,234
Imperial Bank Limited	50,903	33,271
Ecobank Uganda Limited	236,640	2,183
Bank of Africa	566,868	113,745
Crane Bank Limited	–	427,003
Centenary Bank	298,951	552,387
DFCU Bank Limited	1,575,843	466,573
United Bank for Africa	45,251	58,551
Orient Bank Limited	197,749	182,245
Guaranty Trust Bank	90,142	–
Tropical Bank –collection account	70,122	50,036
Bank of Baroda Uganda Limited–collection account	138,154	42,335
Post Bank	104,431	123,727
Finance Trust Bank	44,505	48,057
Diamond Trust	770,065	427,976
NC Bank	73,653	11,692
Equity Bank	130,878	–
Commercial Bank of Africa	40,987	–
Cash at hand	17,558	19,174
	56,242,869	27,800,138

Collecting banks are required to transfer amounts collected at the end of every week to the Fund's custodian Standard Chartered Bank. There are no transfer charges and the banks do not pay interest on amounts held to the Fund except for Standard Chartered Bank, Citibank and Stanbic Bank which pay interest at the rates of 7%, 5% and 1% respectively. The fair value of the cash and bank balances is equal to its carrying amount.

For the purpose of the statement of cash flows, cash and cash equivalents comprise of the above cash and bank balances. * See Note 14.

14. Deposits with Commercial Banks

	2017 % in Class	2016 % in Class	2017 Ushs 000	2016 Ushs 000
Barclays Bank of Uganda Limited	5.6	4.6	12,525,389	12,523,501
Bank of Baroda Uganda Limited	4.7	6.6	10,506,626	17,973,214
Post Bank Uganda Limited	3.8	3.1	8,456,057	8,454,169
Crane Bank Limited	–	29.6	–	81,129,254
DFCU Bank Limited	11.1	2.1	24,913,169	5,711,747
Housing Finance Bank Limited (Note 34)	14.8	8.6	33,213,725	23,482,985
Orient Bank Limited	6.9	5.8	15,456,882	15,938,871
*Standard Chartered Bank Uganda Limited	29.1	29.3	65,513,847	80,409,006
Commercial Bank of Africa	3.6	1.2	8,163,708	3,161,820
Finca Uganda Limited	6.5	5.9	14,516,526	16,190,494
Uganda Finance Trust Limited	–	1.8	–	4,966,525
Tropical Bank Uganda Limited	4.6	–	10,244,749	–
Equity Bank Uganda Limited	4.5	–	10,006,027	–
Guarantee Trust Bank	5.0	1.5	11,258,659	4,120,600
	100	100	224,775,364	274,062,186

*There is a floating lien of Ushs 29,980,000,000 placed on cash/ deposits with Standard Chartered Bank Uganda Limited. The cash and bank balance with Standard Chartered Bank is not excluded from cash and cash equivalents for purposes of the statement of cash flows as the Deposits are sufficient to settle the lien.

The deposits with commercial banks are analyzed as follows:

Amounts due within three (3) months	–	17,150,144
Amounts due after three (3) months	224,775,364	256,912,042
	224,775,3634	274,062,186

The change in the bank deposits during the year was as follows;

	2017 Ushs 000	2016 Ushs 000
At 1 July	274,062,186	251,067,909
New placements / deposits	305,667,007	573,670,125
Maturities	(355,491,755)	(555,660,045)
Interest accrued	36,627,516	39,573,496
Interest received	(36,089,590)	(34,589,299)
At 30 June	224,775,364	274,062,186

The deposits are carried at amortized cost and made for varying periods of between 1 and 365 days depending on the cash requirements of the Fund. The weighted average effective interest rate on deposits with commercial banks as at 30 June 2017 was 15.73% (2016: 17.95%).

15. Equity Securities Held–For–Trading

	2017 Ushs 000	2016 Ushs 000
GenAfrica	5,544,860	4,816,640
Pinebridge Investments	82,828,643	80,046,551
Total	88,373,503	84,863,191

The investments in securities held–for–trading are equity investments managed by the Fund Managers; GenAfrica and Pinebridge Investments. The Fund Managers have the mandate to make investments at their discretion but in compliance with the Fund's investment policy.

	% in class 2017	% in class 2016	Number of Shares Held		Market Value	
			2017	2016	2017 Ushs'000	2016 Ushs'000
Uganda Securities Exchange						
Stanbic Bank (U) Limited	25.9	14.6	113,595,430	12,525,000	3,048,240	1,778,550
DFCU Limited	37.7	35.8	5,835,580	5,435,580	4,429,205	4,348,464
New Vision Printing and Publishing Company Limited	10.0	10.0	2,185,857	2,185,857	1,178,177	1,213,151
Umeme Limited	13.8	23.9	3,654,088	111,821,230	1,625,197	290,735
Uganda Clays Limited	1.0	1.2	9,575,568	9,575,568	114,907	143,634
Bank Of Baroda	11.5	14.5	12,525,000	3,529,364	1,352,700	1,764,681
	100	100			11,748,426	9,539,215
Nairobi Stock Exchange						
Athi River Mining	1.3	1.9	1,026,025	1,026,025	838,795	1,141,721
Bamburi Cement Limited	4.8	4.6	465,845	460,745	3,131,525	2,753,864
Barclays Bank Kenya Limited	3.4	2.7	6,090,000	4,790,000	2,223,465	1,599,038
BAT Kenya Limited	13.0	13.7	283,700	283,700	8,512,909	8,237,548
Britam Holdings Limited	3.7	2.2	5,200,000	2,700,000	2,404,922	1,333,227
Centum Investments (ICDC)	1.8	1.8	720,690	720,690	1,149,424	1,102,690
CFC Stanbic Holdings	3.1	3.6	773,000	773,000	2,023,527	2,150,412
Co–operative Bank of Kenya Ltd	3.1	3.1	3,290,387	2,865,387	2,010,019	1,847,871
Diamond Trust Bank Kenya Ltd	8.2	8.2	947,953	853,475	5,397,096	4,949,349
East African Breweries Limited	14.2	12.7	1,017,666	749,466	9,265,940	7,620,259
Equity Group Holdings Limited	7.4	8.0	3,618,442	3,232,042	4,819,250	4,844,339
I&M Holdings Ltd	2.1	2.2	367,700	299,400	1,401,133	1,329,994
Kenya Airways Ltd	–	0.4	–	1,428,000	–	216,008
Kenya Commercial Bank	7.5	7.2	3,689,574	3,175,974	4,923,544	4,330,142
Kenya Power & lighting	1.4	1.6	2,830,750	2,830,750	890,278	969,594
Nation Media Group	2.0	2.7	310,712	310,712	1,277,113	1,620,696
NIC Bank Limited	1.7	3.9	863,187	1,826,587	1,105,742	2,364,838
Safaricom Limited	18.8	16.4	15,956,400	13,000,000	12,316,404	9,848,848
Standard Chartered Bank Kenya Ltd	2.7	2.3	227,019	203,317	1,755,591	1,386,204
TPS Serena Limited	–	0.3	–	247,013	–	180,381
WPP Scan group Limited	–	0.7	–	565,600	–	393,361
	100	100			65,446,677	60,220,384
Dar es Salaam Stock Exchange						
Tanzania Breweries Limited	88.2	81.2	460,000	460,000	9,862,400	10,143,535
CRDB Bank Plc	11.8	18.8	4,700,000	4,700,000	1,316,000	2,343,439
	100	100			11,178,400	12,486,974

The change in held-for-trading investments during the year were as follows;

	2017 Ushs 000	2016 Ushs 000
As at 1 July	84,863,191	90,134,171
Purchases	3,634,838	9,310,293
Disposals	(1,607,354)	(138,483)
Fair value gain/(loss)	1,558,529	(14,048,450)
Foreign exchange loss	(75,701)	(394,340)
As at 30 June	88,373,503	84,863,191

The trading prices at the last date of trading for the years ended 30 June 2017 and 2016 were as follows:

	2017			2016		
	Ushs	Kshs	Tshs	Ushs	Kshs	Tshs
Stanbic Bank (U) Limited	27.00	–	–	26.00	–	–
DFCU Limited	759.00	–	–	800.00	–	–
New Vision Printing and Publishing Company Limited	539.00	–	–	555.00	–	–
Umeme Limited	425.00	–	–	500.00	–	–
Uganda Clays Limited	12.00	–	–	15.00	–	–
Bank of Baroda (Uganda)	108.00	–	–	142.00	–	–
BAT Kenya Limited	29,412.16	847	–	29,036.12	835.00	–
Safaricom Limited	790.00	22.75	–	617.23	17.75	–
Kenya Commercial Bank	1,310.87	37.75	–	1,173.62	33.75	–
East African Breweries Limited	8,993.80	259	–	9,667.12	278.00	–
Bamburi Cement Ltd	6,458.87	–	–	5,911.55	170.00	–
Equity Group Holdings Limited	1,310.87	37.75	–	1,338.79	38.50	–
NIC Bank Limited	1,163.29	33.50	–	1,269.24	36.50	–
Barclays Bank Kenya Limited	345.51	9.95	–	333.83	9.60	–
Athi River Mining	711.86	20.50	–	1,112.76	32.00	–
Nation Media Group	3,750.31	108.00	–	5,216.07	150.00	–
Diamond Trust Bank Kenya Limited	5,556.02	160.00	–	5,737.68	165.00	–
Standard Chartered Bank Kenya Limited	7,222.82	208.00	–	6,780.89	195.00	–
Centum Investments (ICDC)	1,426.43	41.50	–	1,530.05	44.00	–
Kenya Power & lighting	276.06	7.95	–	342.52	9.85	–
WPP Scan group Limited	703.18	20.25	–	695.48	20.00	–
Co-operative Bank Kenya Limited	588.59	16.95	–	561.60	16.15	561.60
CFC Stanbic Holdings	2,465.48	71.00	–	2,781.90	80.00	2,781.90
Britam Holdings Limited	439.27	12.65	–	493.79	14.20	493.79
I&M Holdings Limited	3,576.69	103.00	–	3,825.12	110.00	–
Kenya Airways	175.36	5.05	–	151.27	4.35	–
TPS Serena Limited	772.63	22.25	–	730.25	21.00	–
Kenol Kobil Limited	486.15	14.00	–	–	–	–
Tanzania Breweries Limited	21,551.22	–	13,400.00	22,051.16	–	13,710.0
CRDB Bank Plc	281.45	–	175.00	498.60	–	310.00
Tanzania Portland Cement	2,894.94	–	1,800.00	3,844.08	–	2,390.00

16. Trade and Other Receivables

	2017 Ushs 000	2016 Ushs 000
Prepayments	2,280,852	2,787,499
Staff advances	108,449	174,131
Trade receivables	8,287,816	9,360,131
Contributions receivable	889,095	889,095
Rent receivable	3,501,173	2,993,632
Cash advances to investment managers	1,219,066	2,306,268
Deferred staff expense	817,638	1,157,665
Dividends receivable	33,604,493	31,627,862
VAT Recoverable	2,223,518	–
Provisions for impairment loss	(7,893,844)	(8,448,959)
	45,038,256	42,847,324

The staff advances are interest free and repayable within one month through payroll deductions. The contributions receivable relate to cheque payments in previous years (2011) that were not honored and fully recognized as a receivable, these have been impaired.

Provisions for impairment loss is analyzed as follows:–

	2017 Ushs 000	2016 Ushs 000
At 1 July	8,448,959	7,667,783
Charge for the year	–	1,005,615
Utilized	(555,115)	(224,439)
At 30 June	7,893,844	8,448,959

The provision relates to the trade receivable, contributions receivable, and rent receivable accounts. The carrying amount for trade receivables reasonably approximate its fair value due to the short term nature of the receivables.

17. Investments in Securities held-to-Maturity

	2017 % in Class	2016 % in Class	2017 Ushs 000	2016 Ushs 000
Treasury bonds	98	96	5,656,920,144	4,501,133,775
Corporate bonds	2	4	90,139,470	134,611,645
	100	100	5,747,059,614	4,635,745,420

The investments are analyzed as follows:

Maturing within 3 months	45,505,610	300,692,174
Maturing after 3 months but within 1 year	259,682,437	87,274,294
Maturing after 1 year	5,441,871,567	4,247,778,952
	5,747,059,614	4,635,745,420

The change in Held-to-Maturity investments during the year were as follows;

	2017 Ushs 000	2016 Ushs 000
As at 01 July	4,635,745,420	3,839,928,145
Purchases	1,356,713,469	968,333,554
Maturities	(255,833,542)	(227,479,830)
Interest accrued	647,490,434	538,693,390
Interest received	(633,955,164)	(500,664,480)
Foreign exchange (loss)/gains	(3,101,003)	16,934,641
As at 30 June	5,747,059,614	4,635,745,420

The yield rates on the treasury bonds ranged from 10.81% to 21.22%(2016:10.75% to 21.25%)and the treasury bonds mature between 1 to 15 years. The interest rates for corporate bonds ranged from 10.97% to 14.7% (2016: 10.94% to 14.7%) and the corporate bonds mature between 1 to 8 years.

18. Equity Investments at Fair Value through Profit or Loss

	2017 % in Class	2016 % in Class	2017 % Held	2016 % Held	2017 Ushs 000	2016 Ushs 000
Bank of Baroda (Uganda) Limited	0.6	0.9	2.00	2.00	5,395,275	7,093,788
DFCU Limited	2.5	3.0	5.93	5.93	22,381,132	23,590,126
Safaricom Limited	21.0	19.0	0.60	0.60	189,797,002	147,025,409
Centum Investments Limited	0.7	0.8	0.73	0.73	6,276,292	6,468,000
Stanbic Bank Uganda Limited	4.0	3.5	2.05	2.05	36,049,507	27,251,520
New Vision Printing and Publishing Company Limited	0.9	1.1	19.61	19.61	8,085,000	8,325,000
Bank of Kigali	4.9	7.2	6.32	6.32	44,644,820	55,863,360
Tanzania Breweries Ltd	13.1	11.4	1.19	1.19	118,531,710	88,204,656
Umeme Limited	–	14.1	–	1.19	–	126,227,487
Equity Group Holdings Ltd	13.4	16.0	2.50	2.50	121,277,017	123,859,957
East African Breweries Ltd (EABL)	12.9	16.2	1.64	1.64	116,919,412	125,672,513
Trade Development Bank	11.5	7.6	3.77	2.32	100,631,822	58,929,849
Tanzania Portland Cement(Twiga)	2.9	3.6	5.00	4.02	26,054,460	27,812,724
British–American Invest (Britam)	1.9	0.5	2.03	0.73	17,285,286	3,615,515
Kenya Re–Insurance	0.3	–	0.48	–	2,421,461	–
Yield Fund	0.2	–	16.7	–	2,057,273	–
Kenya Commercial Bank	9.1	9.2	2.05	2.05	82,164,084	71,437,991
	100	100			899,971,553	901,377,895

All the above equity investments are traded on the Uganda Security Exchange (USE) except for Safaricom, KCB, and Equity Group which are traded on the Nairobi Stock Exchange (NSE), Tanzania Breweries which is traded on the Dar es Salaam Stock Exchange (DSE), Bank of Kigali which is traded on the Rwanda Stock Exchange (RSE), PTA Bank and Yield fund which are not traded on a stock exchange.

The trading prices at the last date of trading for the years ended 30 June 2017 and 2016 were as follows:

	2017				2016			
	Ushs	Kshs	Tshs	Rwf	Ushs	Kshs	Tshs	Rwf
Bank of Baroda (Uganda) Limited	108.00	–	–	–	142.00	–	–	–
DFCU Limited	759.00	–	–	–	800.00	–	–	–
Safaricom Limited	789.99	22.75	–	–	617.23	17.75	–	–
Centum Investments Limited	1,426.43	–	–	66	1,470.00	–	–	66
Uganda Clays Limited	12.00	–	–	–	15.00	–	–	–
Stanbic Bank Uganda Limited	27.00	–	–	–	25.00	–	–	–
New Vision Printing and Publishing Company Limited	539.00	–	–	–	555.00	–	–	–
Equity Bank Kenya	1,310.87	37.75	–	–	1,338.79	38.50	–	–
Kenya Commercial Bank	1,310.87	37.75	–	–	1,173.62	33.75	–	–
Bank of Kigali	1,052.28	–	–	245	1,314.43	–	–	280
Tanzania Breweries Limited	21,551.22	–	13,400	–	22,051.16	–	13,710	–
Tanzania Portland Cement Limited	2,894.94	–	1,800	2,390	3,844.08	–	2,390	2,390
British–American Invest (Britam)	439.27	12.65	–	–	493.79	14.20	–	–
Trade Development Bank (TDB)	35,075,108	–	–	–	–	–	–	–

18. Equity Investments at Fair Value through Profit or Loss (Cont'd)

During the year, the Fund purchased the following shares;

	Currency	Shares	Share Price	Exchange Rate	Cost Ushs 000
KCB Kenya	Kshs	1,521,750	38.00	33.25	1,926,599,718
Kenya Reinsurance	Kshs	3,360,592	19.77	33.25	2,214,641,314
Britam Holdings Limited	Kshs	32,027,800	12	33.72	12,307,006,395
Safaricom (K) Limited	Kshs	2,050,500	18.00	34.41	1,307,194,095
Stanbic Bank Limited	Ushs	287,031,538	25.00	1.00	7,078,625,131
Tanzania Breweries Limited	Tzs	1,500,000	13,753	1.54	31,802,435,322
Twiga TPCC	Tzs	1,764,783	2,290	1.62	6,549,012,650
Yield Investment Fund					2,057,272,700
Trade Development Bank	USD	1,088	9,195.00	3,596.50	35,979,961,440
					160,671,323,565

The change in the equity investments during the year was as follows:

	2017 Ushs 000	2016 Ushs 000
At 1 July	901,377,895	734,270,133
Acquisition of new shares	101,222,750	231,562,872
Transfer to associates	(122,952,123)	–
Fair value loss	21,877,461	(74,373,213)
Foreign exchange (loss)/gain	(1,554,430)	9,918,103
At 30 June	899,971,553	901,377,895

The Fund's investment in equities that are designated at fair value through profit or loss represent equities for which there is an active market and where the Fund holds less than 20% of the voting rights of the investee companies and the Fund does not have significant influence over the financial and operating decisions of the investee companies.

19. Loans & Advances

	2017 Ushs 000	2016 Ushs 000
Uganda Clays Limited (Note 34)	20,592,838	20,592,838
Housing Finance Bank Limited (Note 34)	26,000,000	29,666,667
Staff loans	1,697,146	2,038,886
	48,289,984	52,298,391
Fair value of discount on staff loans	(817,638)	(1,157,665)
	47,472,346	51,140,726
Impairment provision for Uganda Clays Limited loan	(20,592,838)	(20,592,838)
	26,879,508	30,547,888

The impairment provision for Uganda Clays Limited loan is analyzed as follows;

At 1 July	20,592,838	21,352,771
Reversal of prior year impairment over provision	–	(759,993)
At 30 June	20,592,838	20,592,838

The change in the loans and advances during the year was as follows:

At 1 July	30,547,888	34,464,037
Disbursements	–	–
Maturities (proceeds from maturing loans)	(7,782,330)	(8,385,483)
Interest accrued	3,773,924	3,535,680
Prior year over provision	–	759,933
Fair value adjustment	340,026	173,721
At 30 June	26,879,508	30,547,888

The loan to Uganda Clays Limited which was granted on 29 December 2010 is unsecured and was repayable within 96 months in equal monthly installments commencing after a grace period of two years (effective 27 December 2013). The loan has a fixed interest rate of 15%. For the six months period to 30 June 2017, Uganda Clays Limited made a profit before tax of Ushs 2,168 Million and the current assets exceeded the current liabilities by Ushs 15,630 Million as at 30 June 2017. However the Company has experienced financial problems since the loan was disbursed and no loan repayment has been received as at 30 June 2017. The loan has therefore been fully impaired as recovery procedures continue to be enforced.

Housing Finance Bank Limited (the bank) has two loan facilities with the Fund of Ushs 25 Billion at a rate of 11.5% (2016: 11.5%) and Ushs 22.5 Billion at a rate of 15.5% (2016: 15.5%) respectively. The Loans were granted on 25 February 2011 and 16 October 2009 respectively. The loan of Ushs 25 Billion is repayable over a period of 15 years while that of Ushs 22.5 Billion is repayable over 10 years. Installments are due on a quarterly basis after a grace period of 24 months from the date of the first disbursement. During the grace period, interest accrued is payable. The loans are secured by the bank's property on Plot 25, Kampala Road and identifiable and performing condominium mortgage book portfolio worth at least Ushs 10 Billion of present and future assets representing 25% of the loan sum for the duration of the loan agreement.

In addition, a lien imposed at all times on the government securities owned and held by the bank with a total value of at least Ushs 10 Billion representing 25% of the loan sum. The reported amount represents the carrying amount as at year-end.

The staff loans are loans issued by the Fund to its employees at a discounted interest rate of 6.5% (2016: 6.5%). The loans are issued to employees to acquire/construct houses. The loans are secured by the acquired houses and are to be paid over a period of 15 to 20 years. As at 30 June 2017, the average market rate for mortgages was 17.5% (2016: 22%).

All the above loans and advances are measured at amortized cost with exception of the staff loans which are marked to market. Management assessed all loans outstanding as at 30 June 2017 for indicators of impairment and determined that no loans exhibited signs of impairment and as such no provision for impairment loss has been made with exception of the Uganda Clays Limited loan which has been fully impaired.

Based on the impairment provision, the carrying value of the loans and advances reasonably approximates the fair value.

20. Inventories

	2017 Ushs 000	2016 Ushs 000
Consumables and stationery	1,187,304	–

This relates to consumables and stationery maintained by the Fund for day to day operations.

21. Investments Accounted for under the Equity Method

	Housing Finance Bank Limited Ushs 000	Uganda Clays Limited Ushs 000	TPS Uganda Limited Ushs 000	Umeme Ltd Ushs 000	Total Ushs 000
At 1 July 2015	57,858,068	10,941,399	6,093,323	–	74,892,790
Share of profit	7,598,269	445,711	2,277,537	–	10,321,517
Less: dividends	(4,404,806)	–	(489,739)	–	(4,894,545)
At 30 June 2016	61,051,531	11,387,110	7,881,121	–	80,319,762
Purchases					
Purchase of shares	–	–	–	59,448,574	59,448,574
Transfer from investments at FVTP	–	–	–	122,952,123	122,952,123
Share of profit	10,358,229	1,063,241	1,152,002	11,975,035	24,548,507
Share of OCI, net of tax	–	–	–	(6,889,710)	(6,889,047)
Less: dividends	(5,415,216)	(292,640)	(1,119,402)	(7,026,912)	(13,854,170)
At 30 June 2017	65,994,544	12,157,711	7,913,721	180,459,110	266,525,086

As at 30 June 2017, the Fund had shareholding of 50%, 32.52%, 13.99% and 23.2% in the issued share capital of Housing Finance Bank Limited, Uganda Clays Limited TPS Uganda Limited and Umeme Ltd respectively. These investments have been accounted for under the equity method.

The Fund increased its holding in Umeme Limited to 23.2% in November 2016 and has representation on the Umeme Limited Board hence a change from equity investments at fair value through profit and loss to investments accounted for under the equity method.

The Fund's 50% holding in Housing Finance Bank Ltd does not give it a controlling interest nor does it give a joint control and as such the investment continues to be accounted for as an associate.

Nature of activities of associate companies

Company	Nature of activities
Housing Finance Bank Limited	The Bank is engaged in the business of commercial banking and the provision of related services, and is licensed under the Financial Institutions Act, 2004.
Uganda Clays Limited	The principal activities of the company are the production and sale of a wide range of clay building products. The main items produced are roofing tiles.
TPS (Uganda) Limited	The principal activities of the company are that of operating and running a hotel facility in Uganda, serving the business and tourist markets.
Umeme Limited	Through a concession with the Government of Uganda, Umeme operates as the primary electricity distribution company in Uganda, responsible for distributing electricity to Ugandan residents, commercial and government entities.

	Housing Finance Bank Limited	Uganda Clays Limited	TPS (Uganda) Limited	Umeme Limited
Principle place of business	Investment House, Plot 4 Wampewo Avenue, Kololo, P. O. Box 1539, Kampala	14 kms, Entebbe Road, Kajjansi, P. O. Box 3188, Kampala	SN Chambers, Plot 36 Nile Avenue, P. O. Box 7814, Kampala	Rwenzori House, Plot 1 Lumumba Avenue, P.O. Box 23841, Kampala
Market price	Not Listed.	Ushs 15 per share	Not Listed	Ushs 425 per share

	Number of Shares Held		Price per Share		Fair Value	
	2017	2016	2017 Ushs	2016 Ushs	2017 Ushs 000	2016 Ushs 000
Umeme Limited	373,771,921	251,951,071	425	501	158,853,066	126,227,487
Housing Finance Bank	3,050,000	3,050,000	–	–	–	–
TPS (Uganda) Limited	19,500	19,500	–	–	–	–
Uganda Clays Limited	292,640,000	292,640,000	12	15	3,511,680	4,389,600
					162,364,746	130,617,087

Impairment has been assessed and the value in use exceeds the fair value for each of the associates.

The summary of the financial information for the investments in associates as at 30 June is as follows:

	Housing Finance Bank Limited		Uganda Clays Limited		TPS (Uganda) Limited		Umeme Limited	
	2017 Ushs 000	2016 Ushs 000	2017 Ushs 000	2016 Ushs 000	2017 Ushs 000	2016 Ushs 000	2017 Ushs 000	2016 Ushs 000
Percentage held	50%	50%	32.52%	32.52%	13.99%	13.99%	23.02%	15.52%
Current assets	710,441,808	624,774,250	19,115,000	14,621,256	17,185,605	17,804,078	361,510,000	441,507,000
Non-current assets	42,204,020	42,617,431	47,163,000	49,107,960	78,271,845	61,359,540	1,809,641,000	1,750,352,000
Current liabilities	430,813,634	353,544,830	3,485,000	4,194,773	7,266,172	9,248,256	572,542,000	544,214,000
Non-current liabilities	192,532,101	198,729,194	33,490,000	31,947,086	9,663,736	5,940,944	1,015,975,000	1,055,593,000
Net assets	129,300,093	115,117,657	29,303,000	27,587,357	78,527,542	63,974,418	582,634,000	592,052,000
Funds share of Net assets	64,650,047	57,558,829	9,529,336	8,971,408	10,986,003	8,950,021	134,122,347	–
Goodwill	–	–	–	–	–	–	50,430,439	–
Other Adjustment	1,344,498	3,492,703	2,628,375	2,415,702	(3,072,282)	(1,068,900)	(4,093,676)	–
Carrying amount in the Statement of Net Assets	65,994,544	61,051,531	12,157,711	11,387,110	7,913,721	7,881,121	180,459,110	–
Revenue	665,549,755	47,049,700	12,861,000	12,382,185	28,094,494	25,192,637	697,478,000	1,312,168,000
Profit after tax from continuing operations	9,459,126	6,784,389	1,273,000	1,271,877	3,685,278	3,776,763	39,176,000	99,747,000
Other comprehensive income, net of tax	–	–	–	–	–	–	(35,849,000)	45,995,000
Total Comprehensive income	9,459,126	6,784,389	1,273,000	1,271,877	3,685,278	3,776,763	3,327,000	145,742,000
Reporting date of associate	30 June 2017	30 June 2016	30 June 2017	30 June 2016	30 June 2017	30 June 2016	30 June 2017	30 June 2016

22. Other Investments

Victoria Properties Development Limited (VPDL) was incorporated in 2004 to develop the Fund's property at Lubowa for sale to the public. NSSF held a 50% equity interest in VPDL, through its wholly owned subsidiary, Premier Developments Ltd (PDL). VPDL borrowed US\$ 1 Million from Premier Developments Limited to finance its preliminary activities. VPDL entered into a contract for the design and supervision of the Lubowa Housing Project with M/s SBI, at a contract price of US\$ 4.9 Million, and paid the US\$ 1 Million borrowed from PDL to SBI to deliver preliminary designs. PDL was later dissolved by the Constitutional Court, and in 2009, the shareholders of VPDL agreed to wind up the joint venture company and instead have an arm's length contract for design and supervision of the Lubowa Housing Project. The investment was therefore written off in 2009. The winding up/dissolution agreements and arm's length design/supervision contract were signed and the joint venture was finally wound up in 2009. The Fund retained 100% ownership of the land, while the other party was retained to provide an arm's length contract for design and supervision of the Lubowa Housing Project.

23. Capital Work-In-Progress

	Arua Ushs '000	Lubowa Ushs '000	Lumumba Ushs '000	Mbuya Ushs '000	Jinja Ushs '000	Mbarara Ushs '000	Other Ushs '000	Workers House Ushs '000	Total Ushs '000
Cost									
At 1 July 2015	2,330,000	243,920,660	64,447,309	–	–	–	543,138	–	311,241,107
Additions	–	1,157,247	941,480	47,530	566,478	–	823,036	–	3,535,771
Transfer from other CWIP	–	–	–	6,934	–	–	(6,934)	–	–
Transfer from investment Property	–	–	–	1,800,000	560,000	–	–	–	2,360,000

	Arua Ushs '000	Lubowa Ushs '000	Lumumba Ushs '000	Mbuya Ushs '000	Jinja Ushs '000	Mbarara Ushs '000	Other Ushs '000	Workers House Ushs '000	Total Ushs '000
Reclassification to expenses	–	–	–	(6,934)	–	–	–	–	–
Revaluation Gains	–	–	–	–	–	–	–	–	–
At 30 June 2016	2,330,000	245,077,907	65,388,789	1,847,530	1,126,478	–	1,359,240	–	317,129,944
Additions		177,000	969,428	5,390,577	1,076,388	1,429,559	830,579	261,135	10,134,666
Transfer from other CWIP	–	–	–	–	–	–	(1,100,087)	–	(1,100,087)
Transfer from investment Property	–	–	–	–	–	–	–	–	–
Reclassification to expenses	–	–	–	–	–	–	–	–	–
Revaluation Gains	–	–	–	–	–	–	–	–	–
At 30 June 2017	2,330,000	245,254,907	66,358,217	7,238,107	2,202,866	1,429,559	1,089,732	261,135	326,164,522
Provision for impairment									
At 1 July 2016/2017	(2,330,000)	–	–	–	–	–	–	–	(2,330,000)
Net carrying amount									
At 30 June 2017	–	245,254,907	66,358,217	7,238,107	2,202,866	1,429,559	1,089,732	261,135	323,834,522
At 30 June 2016	–	245,077,907	65,388,789	1,847,530	1,126,478	–	1,359,240	–	314,799,944

The Arua capital work-in-progress relates to construction costs for a hotel at the golf course. As at 30 June 2009, construction of the hotel was near completion but modalities of share of interest in the hotel had not been finalized with the trustees of the Arua Golf Club. The Fund has estimated to incur losses as a result of the delayed implementation of this joint venture and ownership structure of the joint venture. Due to uncertainties surrounding the recoverability of these amounts, the balance was fully impaired in 2008. Management is currently negotiating with the trustees of the Golf Club with a view of finalizing the joint venture arrangements.

The Lubowa capital work in progress relates to Lubowa Housing Project. The Fund contracted Soleh Boneh International (SBI) Holdings AG Uganda as the project designer and supervisor for the project.

The Fund completed Phase 1 of the development of Lumumba avenue and the property has been classified under capital work in progress. The fair value of this property under construction is not reliably determinable and is therefore carried at cost until completion.

24. Investment Properties

	Valuation at 30 June 15 Ushs '000	Additions Ushs '000	Disposal Ushs '000	Change in Fairvalue Ushs '000	Reclassification to CWIP Ushs '000	Valuation at 30 June 16 Ushs '000	Additions Ushs '000	Disposal Ushs '000	Change in Fairvalue Ushs '000	Valuation at 30 June 17 Ushs '000
Workers House	56,248,682	–	–	(248,682)	–	56,000,000	–	–	2,000,000	58,000,000
Plot 5 Mvule Rd Naguru	1,800,000	–	–	200,000	–	2,000,000	–	–	–	2,000,000
Land on Yusuf Lule Road	19,000,000	–	–	–	–	19,000,000	–	–	1,000,000	20,000,000
Independence Ave Arua	150,000	–	–	20,000	–	170,000	–	–	–	170,000
Land in Kisugu	195,000	–	–	55,000	–	250,000	–	–	–	250,000
Land in Kabale	230,000	–	–	–	–	230,000	–	–	–	230,000
Land in Jinja	560,000	–	–	–	(560,000)	–	–	–	–	–
Land in Tororo	190,000	–	–	(20,000)	–	170,000	–	–	30,000	200,000
Lumumba Avenue	–	–	–	–	–	–	–	–	–	–
Social Security House	26,000,000	–	–	3,000,000	–	29,000,000	–	–	1,000,000	30,000,000
Land in Mbuya	1,800,000	–	–	–	(1,800,000)	–	–	–	–	–
Land in Busiro Temangalo	21,500,000	–	–	2,625,000	–	24,125,000	–	–	2,412,500	26,537,500
Nsimbe	–	–	–	–	–	–	29,845,654	–	12,577,295	42,422,949
Plot 16 Nakasero Rd (FRV 304)	8,200,000	–	–	200,000	–	8,400,000	–	–	–	8,400,000
Total	135,873,682	–	–	5,831,318	(2,360,000)	139,345,000	29,845,654	–	19,019,795	188,210,449

Investment properties comprise of land and buildings held to earn rental income and/or capital appreciation. The fair values of the Investment Properties were assessed by Katuramu, certified professional valuer as at 30 June 2017 and no significant movements were noted except the addition to Nsimbe land. In determining the fair values of investment properties, the valuer used the market approach by reference to the open market value which is the best price at which the sale of an interest in a property might reasonably be expected to have been completed unconditionally for cash consideration on the date of assessment.

In instances where the market value of a property could not be ascertained due to lack of information, the valuers adopted the cost approach which is based on the depreciated replacement cost. With this method, the values for buildings and other improvements are determined by calculating the present day replacement cost of putting up a similar and functional structure ready to provide the same facilities at the same place but depreciating them accordingly.

Changes in fair values are recognized as gains in profit or loss and included in 'other operating income.

The impact of revaluing investment properties on profit for the year is Ushs 6.4 Billion (2016: 5.8) Billion as disclosed in the table above which also shows the reconciliation of the movement in the carrying amount of the investment property between the opening and closing dates.

The following table shows the valuation technique used in measuring the fair value of investment property, as well as the significant unobservable inputs used.

	Range (weighted average)	2016	2017
Estimated rental value per square meter per month	No material change in the fair value of office properties as assessed by the Fund's independent valuer. Long-term vacancy rate Discount rate	No material change in the fair value of office properties as assessed by the Fund's independent valuer.	Office properties Rent growth per annum
Land & buildings	Price per square meter		
Land			

Market Approach

Land was valued by the sales comparison method on the basis of its unimproved state taking into account the various categories of existing and potential use. Other factors such as location, services, accessibility, and proximity to suppliers, inputs and markets were also taken into account. Attention was paid to the concept of 'Highest and Best use' of property.

Buildings

Cost Approach

Buildings, structures and services were valued at current replacement costs taking into account their depreciation.

The fair value measurement for all of the investment properties has been categorized as a Level 3 fair value based on the inputs to the valuation technique used.

The Fund generated rental income from its investment properties as shown below:

	2017 Ushs 000	2016 Ushs 000
Workers House	7,045,959	6,809,322
Social Security House	2,548,541	2,353,728
Others	1,644,474	1,525,002
Service charge	822,493	776,076
Total	12,061,467	11,464,128

The Fund incurred direct operating expenses (including repairs and maintenance) arising from investment properties that generated rental income during the period as below;

	2017		
	Workers House Ushs 000	Social Security House Ushs 000	Total Ushs 000
Maintenance & repairs	1,223,939	565,637	1,789,576
Ground & property rent	183,107	61,190	244,297
Cleaning services	174,481	54,801	229,282
Security services	281,486	83,660	365,146
Electricity	798,923	286,190	1,085,113
Water	246,397	134,270	380,667
Total	2,908,333	1,185,748	4,094,081

	2016		
	Workers House Ushs 000	Social Security House Ushs 000	Total Ushs 000
Maintenance & repairs	1,503,035	689,286	2,192,321
Ground & property rent	179,246	76,599	255,845
Cleaning services	133,910	52,782	186,692
Security services	286,519	83,260	369,779
Electricity	784,139	378,416	1,162,555
Water	124,371	108,983	233,354
Total	3,011,220	1,389,326	4,400,546

The Fund incurred direct operating expenses (including repairs and maintenance) arising from investment properties which did not generate rental income during the period as shown below (no expenses were incurred on properties other than those indicated in the table below):

	2017		
	Land in Lubowa Ushs 000	Land in Busiro Temangalo Ushs 000	Total Ushs 000
Security expenses	394,101	23,789	417,890
Demolition expenses	9,000	–	9,000
Total	403,101	23,789	426,890

	2016			
	Land in Lubowa Ushs 000	Land in Busiro Temangalo Ushs 000	Land in Mbuya Ushs 000	Total Ushs 000
Security expenses	527,808	22,800	–	550,608
Demolition expenses	8,500	–	–	8,500
Cleaning expenses	–	–	18,436	18,436
Total	536,308	22,800	18,436	577,544

As at 30 June 2016, there were no restrictions on the realizability of investment property with the exception of LRV 2172 Folio 10, Plot 1 Pilkington Road which had a caveat.

There was no restriction to the remittance of income and proceeds of disposal and there were no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

25. Intangible Assets

	2017	2016
	Ushs 000	Ushs 000
Cost		
At 1 July	19,458,515	19,438,708
Additions	2,986,183	19,807
At 30 June	22,444,698	19,458,515
Amortisation		
At 1 July	15,058,271	13,580,912
Charge for the year	1,615,894	1,477,359
At 30 June	16,674,165	15,058,271
Net carrying amount	5,770,533	4,400,244

Intangible assets mainly relate to software which makes up the Integrated Management Information System (IMIS) of the Fund.

26. Property and Equipment

	Land Ushs'000	Property & Machinery Ushs'000	Motor Vehicles Ushs'000	Furniture and Fittings Ushs'000	Computer Equipment Ushs'000	TOTAL Ushs'000
Cost						
At 1 July 2015	400,000	2,644,779	4,089,004	4,363,619	13,204,705	24,702,107
Additions	–	471,181	2,933,889	867,644	2,116,304	6,389,018
Disposals	–	(47,911)	(1,544,066)	(33,003)	(271,325)	(1,896,305)
As at 30 June 2016	400,000	3,068,049	5,478,827	5,198,260	15,049,684	29,194,820
Additions	–	677,342	919,526	1,059,692	305,199	2,961,757
Disposals	–	(61,568)	(240,843)	(98,310)	(213,049)	(613,771)
As at 30 Jun 2017	400,000	3,683,822	6,157,509	6,159,639	15,141,834	31,542,806
Depreciation						
At 1 July 2015	–	1,550,450	2,183,603	2,215,945	10,329,546	16,279,544
Charge for the year	–	362,919	967,712	508,268	1,323,069	3,161,968
Disposals	–	(47,911)	(1,544,064)	(32,761)	(271,325)	(1,896,061)
As at 30 Jun 2016	–	1,865,458	1,607,251	2,691,452	11,381,290	17,545,451
Charge for the year	–	440,967	1,167,129	584,773	1,451,417	3,644,287
Disposals	–	(61,568)	(240,843)	(98,311)	(216,069)	(616,792)
As at 30 Jun 2017	–	2,247,876	2,533,537	3,177,914	12,616,638	20,572,946
Net carrying amount						
As at 30 Jun 2017	400,000	1,435,946	3,623,972	2,981,726	2,525,196	10,966,840
As at 30 Jun 2016	400,000	1,202,591	3,871,576	2,506,808	3,668,394	11,649,369

27. Finance Lease

	Valuation as At 30 June 2016 Ushs 000	Additions Ushs 000	Disposals Ushs 000	Change in fair value Ushs 000	Valuation as At 30 June 2017 Ushs 000
Plot 47 Masaka K'la RD	220,000	–	–	–	220,000
Plot 87 Churcchill Gulu	180,000	–	–	–	180,000
Plot 8 Msk CL. Mbarara	250,000	–	–	–	250,000
	650,000	–	–	–	650,000

The Finance leases relate to properties that were acquired by the Fund under lease agreements to build offices. These were reclassified from property and equipment. The lease terms for Plot 47 Masaka K'la RD, Plot 87 Churchill Gulu and Plot 8 Masaka CL. Mbarara are 15years, 49 years and 99 years respectively. The Fund pays renewal fees for these leases to the respective land boards.

28. **Withholding Tax (Claimable)**

	2017 Ushs 000	2016 Ushs 000
(a) Withholding tax payable	439,305	–
(b) Withholding tax claimable	(13,894,092)	(12,065,756)
Net withholding tax (claimable)	(13,454,787)	(12,065,756)

This relates to tax withheld by/from suppliers and consultants which is payable to or claimable from Uganda Revenue Authority.

29. **Other Payables**

	2017 Ushs 000	2016 Ushs 000
Accounts payable	17,853,187	15,382,127
Accrual for legal costs	6,963,360	4,105,840
Alcon retention payable	2,165,511	2,076,816
Deferred income	837,743	1,365,376
VAT payable	–	399,148
	27,819,801	23,329,307

The accounts payables are interest free and not overdue. Deferred income relates to advance rent payments from customers as required by the Fund's rental agreements.

The accrual for legal costs is analysed as follows:

	2017 Ushs 000	2016 Ushs 000
At 1 July	4,105,840	7,277,857
Payments made during the year	(335,099)	(1,854,877)
Reversal of previous provisions	(1,894,979)	(1,648,940)
Increase in accrual during the year	5,087,598	331,800
At 30 June	6,963,360	4,105,840

The accrual for legal costs relates to fees for the lawyers who handled the Alcon case disclosed in Note 30 and other legal fees relating to other cases based on the fee notes raised by the lawyers. The fee notes relating to the Alcon case have been referred to court for assessment of reasonableness before they can be paid.

30. **Provisions For Litigation**

	2017 Ushs 000	2016 Ushs 000
Alcon International Limited		
At 1 July	12,277,112	11,852,903
Foreign exchange losses	524,317	424,209
Additional provision	–	–
At 30 June	12,801,429	12,277,112

This suit arises out of a contract entered into between Alcon International Limited ("Alcon") and the Fund for construction of the Workers House.

The suit is for recovery of unpaid money for construction work done by Alcon on the Workers' House, recovery of the value of Plant, Equipment, Machinery and Building materials left at the site, special and general damages, interest and costs of the suit. The value of the claim is USD 7,466,042. (United States Dollars Seven Million Four Hundred Sixty Six Thousand Forty Two)

The matter first proceeded to arbitration in which an arbitrary award was made in favor of Alcon. The Fund challenged the award up to the Supreme Court.

On 5 February 2013, the Supreme Court delivered its judgment remitting the case for trial in the High Court.

The provision of USD 3,553,731 is for works performed by Alcon and certified that had not been settled by the Fund.

Management is of the opinion Alcon's claim has no chance of success for the balance owing to the Supreme Court's findings of fraud and lack of a cause of action for breach of contract which are binding on the High Court.

31. Accumulated Members Funds

	2017 Ushs 000	2016 Ushs 000
At 1 July	6,303,685,942	5,166,761,915
Contributions received during the year	916,908,807	785,498,304
Reallocation of interest on arrears to/(from) members funds from/(to) the profit and loss	4,065,342	(2,823,917)
Interest allocation for the year	676,655,927	593,046,806
Members fund liability before benefit payments	7,901,316,018	6,542,483,108
Benefits paid during the year		
Age benefits	(82,266,882)	(80,225,005)
Withdrawal benefits	(79,656,329)	(68,706,382)
Exempted employee benefits	(37,634,757)	(30,083,905)
Invalidity benefits	(18,461,295)	(14,732,541)
Survivors benefits	(9,287,233)	(7,153,914)
Emigration grant benefits	(50,948,222)	(37,895,419)
Total benefits payments	(278,254,718)	(238,797,166)
At 30 June	7,623,061,300	6,303,685,942
Interest to Members:		
(Over) /Unallocated interest from prior year	(402,460)	13,092,858
Charge to Profit and Loss	681,404,864	597,285,997
Total Interest available to members	681,002,404	610,378,855
Allocated as follows:		
To Member funds		
Opening provision balance	(402,460)	13,092,858
Charge to Profit and Loss	677,058,387	593,046,806
	676,655,927	606,139,664
To Reserves		
Opening provision balance	-	-
Charge to Profit and Loss	4,346,477	4,239,191
	4,346,477	4,239,191
Total Provision	681,002,404	610,378,855
Total Charge to profit and Loss		
Allocated to Members fund	677,058,387	593,046,806
Allocated to reserves	4,346,477	4,239,191
	681,404,864	597,285,997

The accumulated member fund is made up of members' accounts to which all standard voluntary and supplementary contributions and interest on the contributions less benefits paid in accordance with Section 34 (1) of the National Social Security Fund Act, (Cap 222).

Interest provision for allocation to members is declared by the Minister in accordance with section 35 (2) of the National Social Security Fund Act, (Cap 222). For the year ended 30 June 2016, the Minister for Finance, Planning & Economic Development approved an interest rate of 11.23% (2016: 12.3%) to be calculated and added to the members' funds.

32. Reserves

	Note	2017 Ushs 000	2016 Ushs 000
Special contributions, fines and penalties	(a)	47,019,296	41,403,373
Unallocated members contributions	(b)	43,050,641	38,704,163
		90,069,937	80,107,536

a. Special contributions, fines and penalties

	2017 Ushs 000	2016 Ushs 000
At 1 July	41,403,373	36,851,150
Special contributions received	5,615,923	4,913,165
Reallocation of fines and penalties	–	(360,942)
At 30 June	47,019,296	41,403,373

In accordance with Section 13 (1) and Section 14 (1) of the National Social Security Fund Act, (Cap 222), special contributions by non-eligible employees are recognized directly in reserves since they relate to members' contributions and not operating results of the Fund. Fines and penalties recovered from employers that fail to remit members' funds in time are recognized through the income statement and then appropriated from the accumulated surplus/deficit to the reserve account.

b. Unallocated members' contributions

	2017 Ushs 000	2016 Ushs 000
Principal Contributions	38,704,163	24,592,500
Provision for interest on unallocated members' contributions	4,346,477	14,111,663
	43,050,640	38,704,163

The movement in the provision for interest on unallocated members' contributions was as follows;

	2017 Ushs 000	2016 Ushs 000
At 1 July	14,111,663	9,872,472
Charged to Profit and Loss	4,346,477	4,239,191
At 30 June	18,458,140	14,111,663

As at 30 June 2017, the Fund had unallocated members' contributions of Ushs 24.6 Billion that formed part of the reserve account. As at 30 June 2007, the unallocated members' contributions amounted to Ushs 360 Billion and through the measures taken by management to identify the respective members to whom the amounts belonged, the unallocated amounts gradually reduced over the years to Ushs 24.6 Billion as at 30 June 2012. The directors believe that, in addition to putting in place measures to curtail the growth of the unallocated amounts, the Fund had exhausted all possible measures to identify the members to whom these amounts belonged

and accordingly resolved to transfer the Ushs 24.6 Billion to the reserve account in accordance with Section 36 (1) (b) of the NSSF Act. In the event that a member of the Fund presents adequate documentation to prove that there are contributions that should have been credited to their account, NSSF will transfer the contributions from the reserve account to the members' account following approval by the Minister of Finance as stipulated in Section 36 (2) of the NSSF Act. There was no transfer of these funds during the year. Interest is accrued on these balances as stated under note 31 above.

33. Net Cash Used in Operating Activities

	Note	2017 Ushs'000	2016 Ushs'000
Surplus from operations		823,045,699	593,774,731
Depreciation of property and equipment	26	3,644,287	3,161,969
Gain on disposal of property and equipment		(141,100)	(613,778)
Amortization of intangible assets	25	1,615,894	1,477,359
Share of results from associates	21	(24,548,507)	(10,321,515)
Staff loan fair value adjustment		(340,025)	(173,721)
Unrealized foreign exchange loss/(gains) on equity investments at fair value through profit or loss	18	1,554,430	(9,918,104)
Unrealized foreign exchange loss/(gains) on held to maturity investments	17	3,101,003	(16,934,643)
Unrealized foreign exchange gains on held for trading investments	15	75,701	394,340
Fair value gains on investment properties	24	(19,019,795)	(5,831,318)
Fair value loss on capital work in progress	23	–	6,934
Fair value (gain)/loss on equity investments held for trading	15	(1,558,529)	14,048,450
Fair value gain on equity investments at fair value through profit or loss	18	(21,877,461)	74,373,212
Fair value loss/(gain) on finance leases	27	–	(393,711)
Interest income on loans & advances	19	(3,773,924)	(3,535,680)
Interest income on held to maturity investments	17	(647,490,434)	(538,693,390)
Interest income on commercial bank deposits	14	(36,627,516)	(39,573,496)
Withholding tax on investments paid at source		(130,637,624)	(102,331,080)
Prior year interest to members over–provision		(402,460)	(1,008,537)
Provisions charge to profit and Loss		524,317	424,209
Changes in working capital			
Decrease in provisions for bad loans		–	(759,933)
(Increase)/decrease in inventories		(87,217)	853
(Increase)/decrease in trade and other receivables		(2,190,932)	(11,518,601)
Increase/(decrease) in other payables		4,490,494	(3,682,576)
Increase in WHT claimable		(1,389,031)	(13,274,096)
Net cash used in operating activities		(52,032,730)	(70,902,122)

34. Related Party Disclosures

The following table provides the total amount of transactions that have been entered into with related parties. For further information regarding the outstanding balances at 30 June 2017 and 2016, refer to Notes 13, 14, 17 and 19:

	2017 Ushs'000	2016 Ushs'000
Bank balances		
Housing Finance Bank Limited	103,541	15,758
Loans and Advances		
Housing Finance Bank Limited	26,000,000	29,666,667
Uganda Clays Limited	20,592,838	20,592,838
Staff loans to key management staff	530,012	470,236
	47,122,850	50,729,741
Corporate Bonds		
Housing Finance Bank Limited	2,644,538	4,797,286
Fixed deposits		
Housing Finance Bank Limited	33,213,725	23,482,985
Treasury Bonds		
Government of Uganda	4,008,618,804	3,682,764,644
Dividends receivable (Associate Companies)		
Housing Finance Bank Limited	5,415,216	10,061,927
Uganda Clays Limited	1,119,402	–
TPS (U) Limited	292,640	111,192
As at 30 June	6,827,258	10,173,119
Other related party transactions during the year:		
Housing Finance Bank Limited		
Interest income on loans and advances	3,644,400	4,160,775
Interest income on corporate bonds	427,039	714,128
Interest income on term deposits	4,278,756	1,577,560
	8,350,195	6,452,463
Dividend Income		
TPS (U) Limited	1,119,402	489,739
Umeme Limited	7,026,912	8,650,212
Uganda Clays	292,640	–
Housing Finance	5,415,216	4,404,804
	13,854,170	13,544,755
Government of Uganda		
Withholding tax expense for the year	130,637,624	115,218,562
Interest income on treasury bonds	562,403,699	473,788,073

a. **Housing Finance Bank Limited**

The Fund has 50% shareholding in Housing Finance Bank Limited (the bank).

Bank balances – The bank balances relate to balances on the current accounts held by NSSF in the bank. These accounts are non-interest bearing.

Fixed deposits – The Fund has fixed deposit placements with the bank maturing within a period of 365 days.

Corporate bond – Housing Finance Bank Limited (the bank) has two corporate bond facilities with the Fund of Ushs 5 Billion at a rate of 13.5% and Ushs 5 Billion of 13.75% respectively. These bonds are repayable over a period of 10 years and they mature on 12 January 2018 and 31 July 2018 respectively.

Loans – Loans to the bank are at interest rates ranging between 11.5% and 15.5%. Refer to Note 19 for the terms and conditions of the facilities.

b. **Uganda Clays Limited**

The Fund has 32.5% shareholding in Uganda Clays Limited. Refer to Note 19 for the terms and conditions of the loan facility.

c. **TPS –The Fund has 13.9% shareholding in TPS.**

d. **Government of Uganda**

The Government has 100% control of the Fund. The Fund invests in treasury bonds issued by the Government which have the terms and conditions presented in Note 17. Other significant related party transactions with the Government of Uganda include payment of taxes (Pay as–You–Earn (PAYE), VAT and withholding tax on local supplies and professional services), utility costs and rental income earned from government ministries that occupy the Fund's properties.

e. **Terms and conditions**

Other than the terms disclosed above, there have been no guarantees provided or received for any of the above related party balances. For the year ended 30 June 2017, the Fund has not recorded an impairment of receivables relating to amounts owed by related parties (2016: Ushs 1 Billion). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

f. **Compensation for key management personnel and directors emoluments**

	2017 Ushs'000	2016 Ushs'000
Non–executive directors' emoluments:		
Directors' allowances	508,417	505,745
Key management remuneration:		
Salaries and allowances	3,540,787	2,349,359
Gratuity	672,295	512,697
	4,213,082	2,862,056
Total compensation for key management personnel	4,721,499	3,367,801

The amounts disclosed above are the amounts recognized as an expense during the reporting period related to key management personnel and directors.

35. Contingent Liabilities

- a. The Fund is a litigant in various cases for breach of contract arising in the normal course of business. The directors are of the view that the Fund has high chances of success against the plaintiffs and none of the cases individually or in aggregate would have a significant impact on the Fund's operation. The directors are confident that the Fund shall receive favorable ruling from the outstanding cases. Information on these cases has not been disclosed as the directors consider that the disclosure of the information could prejudice the Fund's position. The cases in which the Fund is a litigant mostly relate to alleged breach of contracts that the Fund entered into and members suing for their unsettled benefit claims.
- b. The Fund objected to a tax assessment by Uganda Revenue Authority (URA) on 15 April 2013 on the grounds that URA's tax computations wrongly disallowed expenses that are actually deductible for tax purposes. Management believes the tax treatment adopted by NSSF is in accordance with the provisions of Section 22(1)(a) and Section 25 of the Income Tax Act which allows a deduction for interest incurred during the year of income in respect of a debt obligation. Guidance received from the URA in 2001 allowed for these expenses to be deductible for tax purposes. There have been no changes to those sections of the Income Tax Act. The Fund has treated the interest incurred in the past in exactly the same way.

The Fund filed a suit with the High Court Commercial Division to challenge the assessment. During the mediation process both parties agreed to reduce the taxes in dispute from Ushs84.4 Billion to Ushs42.2 Billion. The Fund's legal advisors have indicated that there is a strong basis of challenging the assessment. Therefore, the directors have not recognized any provision for liability to the URA.

In accordance with the Income Tax Act the Fund was required to pay 30% deposit of the assessed tax as disclosed under Note 12(c). Payment of this deposit is not an admission of guilt but purely a statutory payment.

The ultimate outcome of this case cannot presently be determined. Accordingly, these matters are disclosed as a contingent liability as the Fund currently has a possible obligation and the existence of any obligation to URA will be confirmed only by the decision of the court. There has not been a change in the proceedings since prior year.

36. Use Of Estimates and Judgments

The preparation of financial statements in conformity with International Financial Reporting Standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. The estimates and associated assumption are based on historical experiences, the results of which form the basis of making the judgments about the carrying values and liabilities that are not readily apparent from other sources. Actual results ultimately may differ from these estimates.

The Fund makes estimates and assumptions that could affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The accounting policies that involve high judgment in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are:

- i. *Impairment* – The Fund regularly reviews its assets and makes judgments in determining whether an impairment loss should be recognized in respect of observable data that may impact on future estimated cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. Further information on impairment is disclosed in Note 16 and Note 19.

- ii. *Determining fair values* – The determination of fair value for financial assets for which there is no observable market price requires the use of valuation techniques. For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument. Further information on determination of fair value is disclosed in Notes 24 and 38.
- iii. *Provisions and contingencies* – A provision is recognized if, as a result of past events, the Fund has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Management has made judgments in determining the provisions presented in Note 30.
- iv. *Valuation of Investment properties*–The Fund carries its investment properties at fair value, with changes in fair value being recognized in the statement of profit or loss. The Fund engaged an independent valuation specialist to assess fair value as at 30 June 2016. The investment properties were valued by reference to market–based evidence, using comparable prices adjusted for specific market factors such as nature, location and condition of the property. The key assumptions used to determine the fair value of the properties and sensitivity analyses are provided in note24.
- v. *Determination of significant influence*–Significant influence is presumed to exist when the Fund holds 20 to 50 percent of the voting power of another entity and when the Funds representation on the Board by of the Investee Company is 20 to 50 percent for investees where the shareholding is below 20 percent.
- vi. **Lease classification**– Leases are classified as finance leases when a significant portion of the risks and rewards are transferred to the fund

37. Financial Risk Management

The Fund has exposure to the following risks from its use of financial instruments:

- Market risk,
- Liquidity risk,
- Credit risk, and
- Capital management risk

Included below is information about the Fund's exposure to each of the above risks, the Fund's objectives, policies and processes for measuring and managing the risks and the Fund's management of capital.

Risk management framework

The Fund's Board of Directors has overall responsibility for the establishment and oversight of the Fund's risk management framework. The Board has established an Audit and Risk Committee, and the Risk Department, which are responsible for developing and monitoring the risk management policies in their specified areas. All Board committees have both executive and non–executive members and report regularly to the Board of Directors on their activities.

The Fund's risk management policies are established to identify and analyze the risks faced by the Fund, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Fund through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The Fund's Audit and Risk Committee is responsible for monitoring compliance with the Fund's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Fund. The Audit and Risk Committee is assisted in these functions by Internal Audit and Risk functions.

Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit and Risk Committee.

a. Market risk

Market risk is the risk that changes in market prices, such as investment prices, interest rates and foreign exchange rates will affect the Fund's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within the acceptable parameters, while optimizing the return on investment.

Management of market risks

Market risk arises from a decrease in the market value of a portfolio of financial instruments caused by adverse movements in the market variables such as equity, bonds and property prices, currency exchange rates and interest rates.

The Board grants authority to take on market risk exposure to the Management Investment Committee (MIC). This committee manages this risk through the guidelines set out in the Fund's investment policy.

Equity price risk

The Fund is exposed to equity securities price risk through its investments in quoted and unquoted shares. The Fund's Investment committee diversifies its portfolio. Diversification of the portfolio is done in accordance with the guidelines set out in the Fund's investment policy. All shares held by the Fund are either quoted or traded on the Uganda, Dar-es-salaam, Rwanda and Nairobi Securities Exchanges.

The table below shows the effect of share price sensitivity on the surplus before tax based on the share price volatility as at 30 June 2017;

Type of Investment	Change in share price % Ushs 000	Effect on surplus before tax Ushs 000
Equity securities held-for-trading	+/-5%	+/-4,418,675
Equity investments at fair value through profit or loss	+/-5%	+/-44,998,578

Property price risk

The Fund is exposed to property price risk through its investments in real estate properties. The Fund's Investment committee diversifies its portfolio. Diversification of the portfolio is done in accordance with the guidelines set out in the Fund's investment policy.

The table below shows the effect of property price sensitivity on the surplus before tax based on the property price volatility as at 30 June 2017;

	Change in property price % Ushs 000	Effect on surplus before tax Ushs 000
Investment property	+/-5%	+/- 9,410,522

Currency risk

The Fund is exposed to currency risk through transactions in foreign currencies. The Fund transactional exposures give rise to foreign currency gains and losses that are recognized in the statement of comprehensive income. In respect of monetary assets and liabilities in foreign currencies, the Fund ensures that its net exposure is kept to an acceptable level by matching foreign currency assets to liabilities when considered appropriate. Monitoring of foreign currency fluctuations is done through the Management and Investment Committee.

The Fund operates wholly within Uganda and its assets and liabilities are reported in Uganda Shillings, although it maintains some of its assets and trades with banks in foreign currencies.

The Fund had the following currency positions as at 30 June 2017. All balances are in Ushs'000's.

	USD	Kshs	Tshs	Ushs	Rwf	Eur	Total
Financial assets							
Cash and bank balances	25,727,588	834,773	7,661,286	22,019,222	–	–	56,242,869
Deposits with commercial banks	–	–	–	224,775,364	–	–	224,775,364
Equity securities held–for–trading	–	65,446,677	11,178,400	11,748,426	–	–	88,373,503
Trade and other receivables	3,104,202	104,504	5,941,400	31,536,159	2,128,472	–	42,814,738
Investments in securities held–to–maturity	–	1,281,125,864	348,405,524	4,098,758,273	18,769,954	–	5,747,059,614
Equity investments at fair value through profit or loss	100,631,823	533,260,702	144,586,170	74,790,765	44,644,820	2,057,273	899,971,553
Loans and advances	–	–	–	26,879,508	–	–	26,879,508
Total Assets	129,463,613	1,880,772,519	517,772,781	4,490,507,717	65,543,246	2,057,273	7,086,117,149
Financial liabilities							
Withholding tax payable	–	–	–	439,529,508	–	–	439,529,508
Other payables	645,562	–	–	24,954,914	–	–	25,600,476
	645,562	–	–	464,484,422	–	–	465,129,984
Currency gap							
At 30 June 2017	128,818,051	1,880,772,519	517,772,781	4,026,023,295	65,543,246	2,057,273	6,620,987,165

The Fund had the following currency positions as at 30 June 2016. All balances are in Ushs'000's.

	USD	Kshs	Tshs	Ushs	Rwf	Total
Financial assets						
Cash and bank balances	4,933,541	1,808,906	2,536,117	18,511,340	10,234	27,800,138
Deposits with commercial banks	–	–	–	274,062,186	–	274,062,186
Equity securities held–for–trading	–	60,220,384	12,486,974	12,155,832	–	84,863,190
Trade and other receivables	914,515	12,282,804	–	27,145,648	2,302,867	42,645,834
Investments in securities held–to–maturity	–	423,055,156	66,872,173	4,126,443,982	19,374,109	4,635,745,420
Equity investments at fair value through profit or loss	58,929,849	471,611,385	116,017,380	198,955,921	55,863,360	901,377,895
Loans and advances	–	–	–	30,547,888	–	30,547,888
Total Assets	64,777,905	968,978,635	197,912,644	4,687,822,797	77,550,570	5,997,042,551
Financial liabilities						
Withholding tax payable	–	–	–	298,750	–	298,750
Other payables	645,562	–	–	22,922,522	–	23,568,084
	645,562	–	–	23,221,272	–	23,866,834
Currency gap						
At 30 June 2016	64,132,343	968,978,635	197,912,644	4,664,601,525	77,550,570	5,973,175,717

Currency risk

The table below indicates the currencies to which the Fund had significant exposure at 30 June on its non-trading monetary assets and liabilities and its forecast cash flows. The analysis calculates the effect of a reasonably possible movement of the currency rate against the Uganda Shilling, with all other variables held constant, on the statement of comprehensive income (due to the fair value of currency sensitive non-trading monetary assets and liabilities). A negative amount in the table reflects a potential net reduction in the statement of comprehensive income and equity, while a positive amount reflects a net potential increase. An equivalent decrease in each of the below currencies against the Uganda Shilling would have resulted in an equivalent but opposite impact.

Currency	Change in currency rate in %	Effect on profit before tax	Change in currency rate in %	Effect on profit before tax
	2017	2017 Ushs '000	2016	2016 Ushs '000
USD	+/-5%	+/- 6,440,903	+/-5%	+/- 3,206,617
KES	+/-5%	+/- 94,038,626	+/-5%	+/- 49,046,359
TZS	+/-5%	+/- 25,888,639	+/-5%	+/- 9,895,632
RWF	+/-5%	+/- 3,277,162	+/-5%	+/- 3,877,529
EUR	+/-5%	+/- 102,864	-	-

The following exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2017 Ushs	2016 Ushs	2017 Ushs	2016 Ushs
KES	34.73	34.57	34.52	34.77
USD	3,602.25	3,469.87	3,522.54	3,454.71
TZS	1.6083	1.6319	1.5975	1.6084
RWS	4.283	4.778	4.295	4.6944

Interest rate risk

In broad terms, interest rate risk is the risk that concerns the sensitivity of the Fund's financial performance to changes in interest rates. The Fund's operations are subject to the risk of interest rate fluctuations to the extent that interest earning assets and interest bearing liabilities mature or re-price at different times or in differing amounts. Risk management activities are aimed at optimizing net interest income, given market interest rates levels consistent with the Fund's business strategies. In order to minimize interest rate risk, the Fund has a policy whereby the approved investment commitments are matched to members' funds.

The Fund does not account for any fixed rate or variable rate financial assets at fair value through profit or loss. Therefore a change in interest rate at the statement of financial position date will not affect the Fund's surplus or deficit but would change the future performance of the Fund. The financial assets held at variable interest rates relate to the corporate bonds for African Development Bank (ADB). These balances are not significant when compared with the total financial assets of the Fund as at year end, hence a change of 1 basis point in the interest rate for these instruments would have an insignificant effect on the statement of comprehensive income.

The table below summarizes the exposure to interest rate risk. Included in the table are the Fund's assets and liabilities at carrying amounts, categorized by the earlier of contractual re-pricing dates and the maturity dates. All balances are in Ushs 000.

	Matured Ushs'000	<3 months Ushs'000	3–12 months Ushs'000	> 1 year Ushs'000	Non-Interest bearing Ushs'000	Total Ushs'000	Contractual Amounts Ushs'000
Assets							
Cash and bank balances	–	–	–	–	56,242,869	56,242,869	56,242,869
Deposits with commercial banks	–	–	224,775,364	–	–	224,775,364	224,775,364
Equity securities held– for–trading	–	–	–	–	84,863,191	84,863,191	84,863,191
Trade and other receivables	–	–	–	–	42,814,738	42,814,738	42,814,738
Investments in securities held–to–maturity	–	45,505,610	259,682,437	5,441,871,567	–	5,747,059,614	5,867,174,091
Equity investments at fair value through profit or loss	–	–	–	–	899,971,553	899,971,553	899,971,553
Loans and advances	–	–	–	26,879,508	–	26,879,508	58,358,942
Total Assets	–	45,505,610	484,457,801	5,468,751,075	1,083,892,351	7,082,606,837	7,234,200,748
Liabilities							
Trade and other payables	–	–	–	–	25,600,476	25,600,476	25,600,476
Total Liabilities	–	–	–	–	25,600,476	25,600,476	25,600,476
Gap as at 30 June 2017	–	45,505,610	484,457,801	5,468,751,075	1,058,291,875	7,057,006,361	7,208,600,272
Assets							
Cash and bank balances	–	–	–	–	27,800,138	27,800,138	27,800,138
Deposits with commercial banks	–	17,150,144	256,912,041	–	–	274,062,185	274,062,185
Equity securities held– for–trading	–	–	–	–	84,863,191	84,863,191	84,863,191
Trade and other receivables	–	–	–	–	42,645,834	42,645,834	42,645,834
Investments in securities held–to–maturity	–	300,692,173	87,274,294	4,247,778,953	–	4,635,745,420	4,689,255,826
Equity investments at fair value through profit or loss	–	–	–	–	901,377,895	901,377,895	901,377,895
Loans and advances	–	–	–	30,547,888	–	30,547,888	58,358,942
Total Assets	–	317,842,317	344,186,335	4,278,326,841	1,056,687,058	5,997,042,551	6,078,364,011
Liabilities							
Withholding tax payable	–	–	–	–	298,750	298,750	298,750
Trade and other payables	–	–	–	–	23,568,084	23,568,084	23,568,084
Total Liabilities	–	–	–	–	23,866,834	23,866,834	23,866,834
Gap as at 30 June 2016	–	317,842,317	344,186,335	4,278,326,841	1,032,820,224	5,973,175,717	6,054,497,177

b. Liquidity Risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations on its financial liabilities. It includes both the risk of being unable to fund assets at appropriate maturities and rates and the risk of being unable to liquidate an asset at a reasonable price and in an appropriate time frame.

Management of liquidity risk

The Fund has access to a diverse funding base. Funds are raised mainly from members' contributions and reserves. The Fund continually assesses liquidity risk by identifying and monitoring changes in funding required in meeting business goals and targets set in terms of the overall Fund strategy. In addition, the Fund has a Management Investment Committee that meets on a regular basis to monitor liquidity risk, review and approve liquidity policies and procedures.

Exposure to liquidity risk

The table below analyses financial assets and financial liabilities into relevant maturity groupings based on the remaining period at 30 June 2017 to the contractual maturity date. All balances are in Ushs 000.

At 30 June 2017	Matured Ushs'000	<3 months Ushs'000	3–12 months Ushs'000	1–5 years Ushs'000	> 5 years Ushs'000	Total Ushs'000	Contractual Amounts Ushs'000
Financial assets							
Cash and bank balances	56,242,869	–	–	–	–	56,242,869	56,242,869
Deposits with commercial banks	–	–	224,775,364	–	–	224,775,364	224,775,364
Equity securities held–for–trading	–	–	–	88,373,503	–	88,373,503	84,863,191
Trade and other receivables	–	–	42,814,738	–	–	42,814,738	42,814,738
Investments in securities held–to–maturity	–	45,505,610	259,682,437	1,477,275,783	3,964,595,784	5,747,059,614	5,867,174,091
Equity investments at fair value through profit or loss	–	–	–	–	899,971,553	899,971,553	899,971,553
Loans and advances	–	–	–	–	26,879,508	26,879,508	58,358,942
Total financial assets	56,242,869	45,505,610	527,272,539	1,565,649,286	4,891,446,845	7,086,117,149	7,234,200,748
Financial liabilities							
Other payables	–	27,823,994	–	–	–	27,823,994	27,823,994
Financial liabilities	–	27,823,994	–	–	–	27,823,994	27,823,994
Gap as at 30 June 2017	56,242,869	17,681,616	527,272,539	1,565,649,286	4,891,446,845	7,058,293,155	7,206,376,754
Financial assets							
Cash and bank balances	27,800,138	–	–	–	–	27,800,138	27,800,138
Deposits with commercial banks	–	17,150,144	115,341,460	141,571,582	–	274,063,186	274,062,185
Equity securities held–for–trading	–	–	–	84,863,191	–	84,863,191	84,863,191
Trade and other receivables	–	–	42,645,834	–	–	42,645,834	42,645,834
Investments in securities held–to–maturity	–	300,692,173	87,274,294	1,335,168,902	2,912,610,049	4,635,745,418	4,689,255,826
Equity investments at fair value through profit or loss	–	–	–	–	901,377,895	901,377,895	901,377,895
Loans and advances	–	–	–	–	30,547,888	30,547,888	58,358,942
Total financial assets	27,800,138	317,842,317	245,261,588	1,561,603,675	3,844,535,832	5,997,043,550	6,078,364,011

At 30 June 2017	Matured Ushs'000	<3 months Ushs'000	3–12 months Ushs'000	1–5 years Ushs'000	> 5 years Ushs'000	Total Ushs'000	Contractual Amounts Ushs'000
Financial liabilities							
Withholding tax payable	–	298,750	–	–	–	298,750	298,750
Other payables	–	23,168,935	–	–	–	23,168,935	23,168,935
Financial liabilities	–	23,467,685	–	–	–	23,467,685	23,467,685
Gap as at 30 June 2016	27,800,138	294,374,632	245,261,588	1,561,603,675	3,844,535,832	5,973,575,865	6,054,896,326

c. Credit risk

Credit risk is the risk of financial loss to the Fund if a customer or counterpart to a financial instrument fails to meet its contractual obligations, and arises principally from the Fund's loans and advances, trade and other receivables, deposits with commercial banks and investments in government and corporate bonds. For risk management reporting purposes, the Fund considers all elements of credit risk exposure such as individual obligatory default risk, country and sector risk.

For risk management purposes, credit risk arising on trading securities is managed independently, but reported as a component of market risk exposure.

Management of credit risk

The Board of Directors has delegated responsibility for the management of credit risk to its Management Investment Committee. The Investments Department is responsible for oversight of the Fund's credit risk, including:

- Formulating credit policies, covering collateral requirements and credit assessments, risk grading and reporting. Documentary, legal procedures and compliance with regulatory and statutory requirements is done in consultation with the Fund's Legal and Compliance Department.
- Establishing the authorization structure for the approval and renewal of credit facilities. Authoritativeness limits are allocated to the Management Investment Committee. Larger facilities require approval by the Board of Directors as appropriate.
- Reviewing compliance of investment mix with agreed exposure limits, including those for selected industries, country risk and product types. The Fund's Investment Committee is responsible for monitoring the credit quality of investments and ensuring that appropriate corrective action is taken and providing advice, guidance and specialist skills to business units to promote best practice throughout the Fund in the management of credit risk.

The Investment department is required to implement the Fund's credit policies and procedures, with credit approval authorities delegated from the Fund's Board of Directors. The Investment department is responsible for the quality and performance of the Fund's investment portfolio and for monitoring and controlling all credit risks in the Fund's portfolio, including those subject to Board approval.

Regular audits of the Investment department and the Fund's credit processes are undertaken by the Internal Audit department.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum credit exposure as at the statement of financial position date was:

	Note	2017 Ushs 000	2016 Ushs 000
Bank balances	13	56,212,421	27,780,964
Deposits due from banks	14	224,775,364	274,062,186
Trade and other receivables	16	45,038,256	42,645,834
Investment securities held–to–maturity	17	5,747,059,614	4,635,745,420
Loans and advances	19	48,289,984	52,298,391
Total		6,121,375,639	5,032,532,795

The concentration of credit risk for loans at amortized costs as at the reporting date was:

	2017 Ushs 000	2016 Ushs 000
Housing Finance Bank Limited	26,000,000	29,666,667
Uganda Clays Limited	20,592,838	20,592,838
Staff loans	1,697,146	2,038,886
Total	48,289,984	52,298,391

The aging of loans at amortized cost as at the statement of financial position date was as follows:

	30 June 2017		30 June 2016	
	Gross Ushs 000	Impairment Ushs 000	Gross Ushs 000	Impairment Ushs 000
Neither past due nor impaired	27,697,146	–	31,705,553	–
Past due 30–60 days	–	–	–	–
Past due 31–120 days	–	–	–	–
Past due 120–360 days	20,592,838	(20,592,838)	20,592,838	(20,592,838)
More than a year	–	–	–	–
	48,289,984	(20,592,838)	52,298,391	(20,592,838)

As at the reporting date, there was no impairment loss allowances in respect of held to maturity investments.

The concentrations of credit risk for trade and other receivables as at the reporting date by the type of receivables was as follows:

	2017 Ushs 000	2016 Ushs 000
Rent receivable	3,501,173	2,993,632
Contributions receivable	889,095	889,095
Staff advances	108,449	174,131
Cash advances to investment managers	1,219,066	2,306,268
Dividends receivable	33,604,493	31,426,372
Trade receivables	8,287,816	9,360,131
VAT recoverable	2,223,518	–
Total	49,833,610	47,149,629

The aging of trade and other receivables as at the reporting date was as follows:

	30–Jun–17		30–Jun–16	
	Gross Ushs 000	Impairment Ushs 000	Gross Ushs 000	Impairment Ushs 000
Neither past due nor impaired	36,412,981	–	34,451,820	–
Past due 30–60 days	1,851,717	–	1,751,986	–
Past due 31–120 days	904,072	–	–	–
Past due 120–360 days	1,734,926	–	2,496,864	–
Past due 360 days	8,929,914	(8,929,914)	8,448,959	(8,448,959)
	49,833,610	(8,448,959)	47,149,629	(8,448,959)

Based on historical default rates, the Fund believes that no impairment allowance is necessary in respect of trade receivables not past due by 90 days.

The allowance account in respect of trade and other receivables (as per Note 16) is used to record impairment losses unless the Fund is satisfied that no recovery of the amount owing is possible. At that point the amount considered irrecoverable is written off against the financial asset directly.

d. **Categories of financial assets and financial liabilities**

The fair values of financial assets and liabilities together with the carrying value shown in the balance sheet are analyzed as follows

	Carrying Amount		Fair value	
	2017 Ushs 000	2016 Ushs 000	2017 Ushs 000	2016 Ushs 000
Financial Assets Held-for-trading				
Investment securities held-for-trading	88,373,503	84,863,191	88,373,503	84,863,191
Financial assets at fair value through profit or loss				
Equity investments	899,971,553	901,377,895	899,971,553	901,377,895
Held-to-maturity Investments				
Deposits with commercial banks	224,775,364	274,062,186	224,775,364	274,062,186
Investments in securities held-to-maturity	5,747,059,614	4,635,745,420	5,747,059,614	4,635,745,420
Total	5,971,834,978	4,909,807,606	5,971,834,978	4,909,807,606
Financial Assets at amortized cost				
Cash and bank balances	56,242,869	27,800,138	56,242,869	27,800,138
Trade and other receivables	45,038,256	42,645,834	45,038,256	42,645,834
Loans and advances	26,879,508	30,547,888	26,879,508	30,547,888
	128,160,633	100,993,860	128,160,633	100,993,860
Total financial assets	7,088,340,667	5,997,042,552	7,088,340,667	5,997,042,552
Financial Liabilities at Amortized Cost				
Other payables	27,819,801	23,568,084	27,819,801	23,568,084

e. **Capital Risk Management**

The primary source of capital used by the Fund is member contributions and income from investments. The capital requirements are routinely forecast on a periodic basis and assessed against both the forecast available capital and the expected internal rate of return, including risk and sensitivity analyses. The process is ultimately subject to approval by the Board. There have been no significant changes in the Fund's capital management policies and processes and capital structure during the past year and previous year.

38. **Fair Value Assessment**

Fair values of cash and deposits with commercial banks, trade receivables, loans and advances and other payables reasonably approximate their carrying amounts largely due to the short-term maturities of these instruments and/or because they carry interest rates that reasonably approximate to market rates.

The carrying amounts of equity securities held for trading and at fair value through profit of loss are the same as their fair values since the instruments are presented at fair value.

The financial instruments whose fair values differ from the carrying value as shown in the statement of financial position are analyzed as follows:

	30 June 2017		30 June 2016	
	Carrying amount Ushs '000	Fair Value Ushs '000	Carrying amount Ushs '000	Fair Value Ushs '000
Investment securities held to maturity	5,747,059,614	5,959,877,041	4,657,771,191	4,340,142,020

Valuation hierarchy

IFRS 13 requires a three tiered disclosure for all financial assets and financial liabilities that are carried in the books of entities at fair value. This fair value disclosure is divided into three levels as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities e.g. quoted equity securities.
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (e.g. prices) or indirectly (e.g. derived from prices).
- Level 3 – inputs for the asset or liability that are not based on observable market data. These items are not Level 1 products and contain at least one significant input parameter which could not be price tested from any of the methods described for Level 2 products. Examples are products where correlation is a significant input parameter and products where there is severe illiquidity in the markets for a prolonged period of time.

The following table provides the fair value measurement hierarchy of the Fund's assets and liabilities measured at fair value or those for which fair value is disclosed:

	Date of valuation	Total Ushs '000	Fair value measurement using Quoted price in active market (Level 1) Ushs '000	Significant observable input (Level 2) Ushs '000	Significant unobservable input (Level 3) Ushs '000
Assets measured at fair value					
Investment at fair value through profit or loss (Note 18)	30-Jun-17	899,971,553	795,943,289	–	104,028,264
Quoted equities—held for trading (Note 15)	30-Jun-17	88,373,503	88,373,503	–	–
Investment Properties (Note 24)	30-Jun-17	188,210,449	–	–	188,210,449
Assets for which fair values are disclosed					
Investment securities held to maturity	30-Jun-17	5,747,059,614	–	5,747,059,614	–

There have been no transfers between the levels during the period.

Description of valuation techniques used and key inputs to valuation for investment properties are disclosed under note 24, and below for held to maturity investments:

	Valuation technique	Significant observable inputs	Range (weighted average)			
			Uganda Treasury Bonds	Kenya Treasury bonds	Tanzania Bonds	Rwanda Bonds
Held to maturity	Market approach	Market interest rate for similar bonds	17.0% –17.8% (17%)	7.08% – 16.97% (12%)	18%–19% (18.39%)	8.03%– 13.5% (10.8%)
Investments at fair value through profit and loss	Cost approach	Recent transaction price				

Shown below are the fair value changes arising from level 3 investments that have been recognized through profit and loss during the year ended 30 June 2017.

	2017 Ushs '000	2016 Ushs '000
Investment Properties (Note 24)	6,181,365	5,900,000
PTA Bank Shares– Class B	31,697,813	3,396,442

An important aspect of the Fund's overall capital management process is the setting of target risk and inflation adjusted rates of return, which are aligned to performance objectives and ensure that the Fund is focused on the creation of value for the members. The Fund's approach to managing capital involves managing assets, liabilities and risks in a coordinated way, and taking appropriate actions that will provide the target return in light of changes in economic conditions and risk characteristics.

The Fund seeks to optimize the structure and investment of capital to ensure that it consistently maximizes returns to its members within an acceptable risk appetite. The NSSF Act provides that members must be provided with a minimum return of at least 2.5%. An interest rate of 11.23% was declared for the year 2017 (2016: 12.3%).

39. Establishment

The Fund was established in Uganda under Section 2 of the NSSF Act (Cap 222).

40. Subsequent Events

There were no material events occurring after the reporting date which had an impact on the financial position or results of the Fund.







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